

NEWS: INTERNATIONAL

Federal Reserve chairman says election-year politics will not prevent an easing, if needed

Greenspan refuses to rule out US rate cut

By Michael Prowse
in Washington

THE Federal Reserve has not ruled out further cuts in interest rates before the US presidential election on November 3, according to Mr Alan Greenspan, the Fed chairman.

In a rare press conference, Mr Greenspan said election-year politics would not prevent another easing of rates if this were needed on economic grounds. "Obviously, if further actions are needed, the Fed will

do so," he said. "If not, not."

Mr Greenspan said it would be "irresponsible" for the Fed to "abstain from actions largely or solely because there is an election and campaign under way".

His remarks seemed intended to reassure financial markets, which ended last week in an apprehensive mood after a widely expected cut in short-term rates failed to materialise. On Friday the Dow Jones index fell almost 40 points to close at its lowest level this year. The yield on

30-year bonds rose above 7.5 per cent for the first time in several weeks.

Markets had expected the Fed to act after a string of weak economic figures – including fresh falls in employment – seemed to indicate the fragile US recovery was again losing momentum. On Friday markets were further unsettled by a Financial Times report indicating a short-term rates report indicating the Fed probably would not cut rates again before the election as evidence of a slowdown was, according to a senior Fed official, "inconclusive".

After a weekend meeting of top US executives at Hot Springs, Virginia, Mr Greenspan said he was concerned by the sluggish economy. "It's clear we still have growth but it's also clear it's not accelerating at this stage."

However, he left his interest rate options open by referring to an "incredible degree of uncertainty" about the economic outlook. The Fed was watching closely to see whether consumers and businesses would spend more freely after a

lengthy period paying off debts. Just-published minutes of an August 18 meeting of the Federal Reserve Open Market Committee (FOMC), the top policy-making body,

show that a majority of the committee favoured giving Mr Greenspan discretion to cut short-term rates by up to half a point. However, Mr John LeWare, a governor, and Mr Thomas Melzer, president of the St Louis Fed, both opposed a bias towards further easing of monetary policy.

Mr Greenspan opted for a quarter

point cut to 3 per cent on September 4.

The minutes show that the Fed expected the economy to expand at a "subdued rate". Minutes from last Tuesday's FOMC meeting will not be released for six weeks.

If the Fed does cut to cut interest rates again it is likely to lower the discount rate by half a point to 2.5 per cent. This would be accompanied by a quarter or half point cut in the federal funds rate – the cost of overnight money for banks.

EC officials plan stiff defence of policy powers

By Lionel Barber in Brussels

THE European Commission will today mount a vigorous defence of its powers to draft Community policy, striking back at critics before Friday's EC summit in Birmingham.

In a high-level meeting in Brussels, senior Commission officials will finalise a paper on "subsidiarity" – the principle of devolving power to the lowest appropriate level, which EC governments believe is vital to recapture public support for the Maastricht treaty.

Mr Jacques Delors, European Commission president, presented an outline of the paper during talks with Mr Douglas Hurd, British foreign secretary, on Saturday. Both sides described the talks as helpful in the UK-led effort to prepare a political declaration on subsidiarity at the Birmingham summit.

In its paper, the Commission is expected to propose limited reforms in order to counter charges that it is a remote, overcentralised bureaucracy.

The reforms are likely to include a pledge to consult member states fully before proposing policy directives, as well as an explanation of why Brussels believes an EC-wide directive is necessary.

The Commission is also

likely to argue that no single area of Commission competence should be targeted for attack; and that its power to be solely responsible for drafting legislation must be left intact.

As EC president, the UK is leading intense diplomatic efforts to forge an EC consensus on subsidiarity to help secure early ratification of the Maastricht treaty, both in Britain and ahead of a likely second referendum in Denmark.

British officials said yesterday the summit in Birmingham would focus on "the way things are done", but an agreement on the general criteria for subsidiarity might have to wait until the Edinburgh summit in December.

Other states, notably France, are resisting efforts to draw up a list of areas or subjects to be covered by subsidiarity criteria.

Another reform gaining ground is for the Council of Ministers to conduct some of its business in public, to promote greater transparency in EC decision-making.

However, a suggestion by Mr John Major, UK prime minister, that EC leaders should each deliver a five-minute speech in public on the future of the EC has met a cool reception from European leaders.



Uffe Elleemann-Jensen: must lay down clear rules



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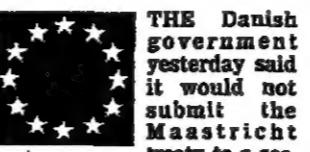
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Danes seek 'substantial' alterations to treaty



THE Danish government yesterday said it would not submit the Maastricht treaty to a second referendum unless it offered "substantial changes" which took account of the concerns expressed by Danish voters when they rejected the treaty last June, write Robert Mauthner, Diplomatic Editor, and Hilary Barnes in Copenhagen.

"We will not hold a second referendum on the same basis as before. I'm not going to present the Danish voters with the same question, dressed up in some fancy clothes," Mr Uffe Elleemann-Jensen said in an interview with Mr Brian Wallen of London Weekend Television.

Although the Danish foreign minister did not call for formal amendments to the text, he stressed his government was looking for "clarifications" of matters of vital interest to Denmark which were already in the treaty.

In particular, Denmark, in common with other member states such as Britain and Germany, wanted clarification of "subsidiarity," the principle that decisions should only be taken by European Community institutions if their objectives could not be as effectively

achieved by national governments.

"You have to put flesh and blood on what is only a principle in the treaty. We will have to lay down clear rules on how decisions are taken."

The minister, who was speaking two days after his government had published a white paper containing eight possible options which Denmark and its partners could pursue to overcome the obstacles to ratification of the Maastricht treaty, also said Denmark wanted some "special deals" on specific issues.

Although he denied Denmark wanted to exclude sensitive matters such as defence, education and health from the treaty, it wanted the principle of subsidiarity to be applied to them in the form of opt-out clauses, of the kind contained by the UK for the social chapter of the treaty.

Another important issue on which Denmark wanted to reserve the right to opt out was adoption of a single Community currency.

Meanwhile, Mr Poul Nyrup Rasmussen, leader of the Danish opposition Social Democratic party (SDP), has tightened his party's conditions for supporting special arrangements between Denmark and the other 11 EC members.

At a meeting of European Socialist parties in Brussels at

the weekend he stressed any special arrangements must have a legally binding status.

Mr Rasmussen rejected the suggestion that Danish ratification of the treaty should be subjected to a time limit and said his party demanded exemption from any participation in an EC defence policy.

Ratification with a time limit, enabling Denmark to withdraw from the treaty if developments were regarded as incompatible with Danish interests, was one of the options suggested in the government's white paper.

Other special arrangements which the SDP is calling for include exemption from participation in economic and monetary union, particularly the common currency, and union citizenship.

The SDP, as the largest party in the eight-party parliament, will have no less influence over the policy which Denmark adopts in negotiations with the other EC member governments this winter than the minority Conservative-Liberal coalition government.

Mr Rasmussen's demand that special arrangements must be legally binding could well increase the difficulty of arriving at an accord with the other EC governments, as well as complicating the process of arriving at an agreed Danish position for the negotiations.

Ford adds to plant at Bordeaux

FORD is to invest FF402m (\$84.1m) in a new gearbox assembly facility at its transmission plant at Bordeaux, France, writes Kevin Done, Motor Industry Correspondent.

The manual transmissions will be fitted with the planned Sigma small-engine range, in which the US car maker is investing more than \$1bn (2570m). The four-cylinder, 16-valve Sigma engines will be built at Ford's engine and car assembly plant at Valencia, Spain, and will be fitted in the Fiesta and lower end of the Escort car ranges from 1995.

Ford said it was planning to assemble up to 650,000 of the new transmissions a year.

The Bordeaux plant builds transaxles for the current Fiesta and Escort ranges as well as automatic transmissions.

The increase will be partly driven by Europe's ageing population, which will require more medicines, according to a report by Euromonitor, the London-based market research company.

However, growth is also

Surge in over-counter healthcare sales seen

By Paul Abrahams

EUROPEAN sales of over-the-counter (OTC) health-care products are set to rise by more than 15 per cent a year between 1990 and 1995, making it one of the fastest growing retail sectors.

The increase will be partly driven by Europe's ageing population, which will require more medicines, according to a report by Euromonitor, the London-based market research company.

European Commission measures to standardise sales of OTC products are likely to be long and painful, it argues. European-wide mass distribution of OTC products, as exists in the UK with groups such as Boots the Chemist, is not on the horizon, it suggests.

Pharmacy Distribution in Europe to 1995, Euromonitor, £450. Tel: (071) 351 8024.

Andalucia left to nurse a post-Expo hangover

THE

Seville Expo '92 winds up today after receiving more than 40 million visitors over the past six months.

As the red carpet is unfurled for the last time for King Juan Carlos, the frequent Expo visitor who will preside over an extravagant closing ceremony, the immediate question is what Spain has achieved after investing about \$2bn in the biggest world fair to date.

As Expo's promoters tell it, just about everything involved with the exhibition deserves to be consigned to the Guinness Book of Records. There were more national and corporate pavilions, at 98, than at any other similar event and the exhibition grounds boasted the biggest car park, for 40,000 vehicles, anywhere.

They even say, although the figures are disputed, that Expo, managed by a public company expressly created for the purpose, will break even. It is hoped the books will be balanced by the resale of Expo's buildings to a second ad-hoc public company designed to create a research and development park on the fair's site.

Seville was the 16th century boom town that grew fat on the gold and silver brought back by those who followed Columbus to the New World. It declined sharply when it lost

its monopoly trading status and is now the capital of Spain's southern belt of Andalucia, where per capita GDP stands at less than 60 per cent of the European Community's average.

Mr Emilio Casanella, who is tipped to be Spain's next ambassador to London and has been Expo's tireless commissioner general, claims the isolation of Seville and Andalucia is a thing of the past. "There is no possibility of a Spanish Mezzogiorno like in Italy now," he says. "There can be no division between the north and south."

He was referring to the billions of dollars that have been pumped into the south in the form of roads, telecommunications, overhauled airports and the high-speed train.

Mr Jacinto Pellen, Expo's chief executive, says: "We have laid out the land and we have planted the seeds. It is now up to Seville and Andalucia to provide irrigation."

However, the economic climate is not conducive to nurturing Expo's fruits. And nobody now talks of Andalucia as the California of the United States of Europe, as they did when work began on Expo in the boozing 1980s.

Foreign groups to keep up California tax fight

By Louise Kehoe
in San Francisco

BARCLAYS BANK of the UK and other foreign companies with operations in California are to continue their eighth-year legal challenge against the state's "unitary tax" method, despite a decision by the US Supreme Court not to take up the case.

Unitary tax is calculated on the basis of a company's worldwide earnings and taxes a portion of them according to the percentage of activity in the state. A company that has 10 per cent of its world sales, property and payroll in California, for example, would be taxed on 10 per cent of its worldwide profits even if the California operation makes no profit. Most other states and the US government base such taxes on a percentage of profits reported within their borders.

Barclays Bank, with the support of other multinationals and several foreign governments, filed a suit eight years ago charging that the California tax assessment system was unconstitutional as it interfered with the US federal government's ability to conduct foreign policy.

"The Supreme Court decision is a disappointment," said Ms Joanne Garvey, a San Francisco attorney acting for Barclays. But the fight would continue in the California state court system where a decision was pending on another element of the dispute, she said.

At issue is \$792m in taxes paid up to 1988, when California relaxed its unitary tax rules, offering foreign multinationals an alternative tax assessment method based only on US operations. Barclays, on behalf of all foreign multinationals, is seeking a refund.

The California Supreme Court had referred back to the state Appeals Court the issue of whether calculating unitary tax placed an unfair burden on foreign multinationals, Ms Garvey said.

Barclays' challenge was presented to the country's chief justices after it was rejected by the California Supreme Court in May. Last week they decided unanimously not to reconsider the state court's decision.

Amsterdam mourns air crash dead

THOUSANDS of people filed silently past the site of the Netherlands' worst air disaster yesterday as Amsterdam mourned the 75 people killed when an El Al jet smashed into blocks of flats in the Bijlmermeer suburb a week ago, Reuter reports from Amsterdam.

A bugler sounded The Last Post in pouring rain as Mr Ed van Thijn, the city's mayor, laid a wreath some 50 metres from the point where the Israeli jet left a huge hole in the two adjoining 10-storey blocks.

Some of the bereaved among the estimated 10,000 present fainted and had to be helped to their feet.

"I lost two sisters and two children. They found one of my sisters and jewellery belonging to the other. They didn't find the children's bodies," said a 20-year-old Sumatran woman as she gazed blankly at the proceedings.

The Financial Times (Europe) Ltd. Published by The Financial Times-Gabler, Frankfurt-Braun-Nibelungenplatz 1, D-6000 Frankfurt am Main; Tel: 49 69 596441; Telex 418520; Fax 49 69 596442; Editor: E. Hugo Mansing; Director: International: D.M. Gribble; Regional: International: D.M. Neu-Isenburg; 4. Responsible editor: Richard Lambert; Printer: SA Norden Schriftdruckerei, Berlin; ISSN 1145-2755; Commissioner: Paris; Number One, Newark, NJ, USA; London SE1 9HL; The Financial Times Ltd., 1992.

Registered office: Number One, Newark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E. Gribble; Managing Director: J. Rodger; Tel: 011 420 0001; Fax: 011 420 0002; Editor: Richard Lambert; Printer: SA Norden Schriftdruckerei, Calea Victoriei 114B, Bucharest, Romania; ISSN 1145-2755; Commissioner: Paris; Number One, Newark, NJ, USA; London SE1 9HL; The Financial Times Ltd., 1992.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark; Tel: (33) 13 44 41; Fax: (33) 613 533.

Jackie Lee 10/10

NEWS: INTERNATIONAL

Referendum in Serbia Voters hold key to UN sanctions

By Laura Silber in Belgrade

SERBS yesterday voted in a referendum on whether to hold early elections - the outcome of which will play an important role in determining whether United Nations sanctions against Yugoslavia will be lifted.

Confusion yesterday appeared to grip Belgrade, the Serbian capital, because many people were uncertain whether to vote in the snap referendum called by Serbia's ruling Socialists under the control of Serbia's President Slobodan Milosevic.

Milan Panic, the Yugoslav federal prime minister, and Dr Dobrica Cosic, the president of Yugoslavia, both favour early elections to get rid of Mr Milosevic, who is seen by the international community as most responsible for the war in Bosnia. The ousting of Mr Milosevic is seen as essential for lifting UN sanctions.

Yesterday Mr Andrei Kozyrev, Russia's foreign minister, and peace negotiators Mrs Cyrus Vance and Lord Owen said in Moscow that UN sanctions could be lifted if Mr Panic gained the upper hand against hardline Serbs. They also indicated sanctions might be eased to help people survive the winter.

If the referendum fails, Mr Milosevic could remain in office for three more years. It would be a blow to Mr Panic and Mr Cosic, who have pledged to get UN sanctions lifted and democratic Serbia.

The Socialists called the referendum in the belief it would lift and enable them to remain in power at a time when the Serbian economy is collapsing under the strain of war and sanctions, which include an oil embargo. The rules require a majority of registered voters to vote Yes. It was unlikely more than 3.5m people would vote. Yes after Serbian television, under Mr Milosevic's control, had denied publicity to the referendum.

Ethnic Albanians, who make up 90 per cent of the 2.1m population of the southern province of Kosovo, yesterday ignored the ballot, heading a boycott of Serbian institutions ordered by pro-independence Albanian leaders.

Turnout was reported to be moderate. Results are due to be announced tomorrow. Some 400,000 refugees, emigrés and Serbs in former Yugoslav republics are eligible to vote.

In a byzantine twist, a handful of leading Socialists appealed for people to a high turnout for the ballot as some Socialists are confident that they could win early elections.

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'Neo-Nazis' attack immigrant hostels

SUSPECTED neo-Nazis hurled rocks and petrol bombs at four immigrant hostels in east Germany at the weekend, and 50 were detained in a raid on a "skinhead" meeting place, authorities said yesterday.

Reuter reports from Magdeburg.

Police, in a pre-dawn raid on a Magdeburg tavern-restaurant known to be frequented by neo-Nazis, rounded up 50 "skinheads" and seized a range of crude weapons including clubs, knives and a pistol.

Police said two "skinheads" were being held on suspicion of beating to death a young left-wing man in a recent brawl at a youth centre. A third was in custody for several assaults and the rest were freed after identity checks.

Right-wingers, some masked, threw petrol bombs and rocks at hostels housing asylum-

seekers in the towns of Grossraschen, Teterow, Neubrandenburg and Malchin on Friday night and early yesterday morning.

Fires were put out by security guards and other damage was slight apart from broken windows. The assailants, who escaped, did not attempt to break into the hostels and no injuries were reported.

A "skinhead" gang stormed a cafe in Bornim near Potsdam early on Sunday, battering guests and furnishings with baseball bats. Five people, all Germans, were injured, with six of the neo-Nazis were detained. Other "skinheads" later scuffled with police in Potsdam.

Ten people have died this year in attacks by young right-wingers on foreign asylum-seekers and residents in Germany.

Violence hit the troubled immigrant suburb of Vaulx-en-Velin, near the French city of Lyons, for the second successive night at the weekend, after police shot dead a teenager, Reuter reports.

Police said about 200 angry youths stormed a police station and burned a dozen cars on Saturday night. They were protesting over the killing of an 18-year-old Moroccan-born youth who tried to force his way through a police road-block last Thursday.

After another stoning incident on Friday night, three youths fired with a sawn-off shotgun from a passing car at police guarding the station but caused no casualties. The incidents come two years after the first serious outbreak of urban rioting in France occurred in Vaulx-en-Velin by the killing of an immigrant youth.

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Ilieșcu eyes poll victory in Romania

By Virginia Marsh, Bucharest

MR Ion Ilieșcu, Romania's president, looked to be heading for re-election last night after early estimates indicated a good turnout throughout the country in yesterday's presidential election run-off.

Political analysts had believed Mr Emil Constantinescu, Mr Ilieșcu's opponent, could only score well if urban voters, and especially the young, many of whom did not vote in the first round, turned out in higher numbers than rural voters.

Mr Ilieșcu, once a close aide to deposed dictator Nicolae Ceaușescu, emerged a firm favourite after the first round of presidential voting on September 27 in which he won 47 per cent of the vote, 16 points more than Mr Constantinescu, his nearest rival.

He then outpolled Mr Con-

stantinescu by 2-1 in the coun-

tryside where nearly half of

Romania's 23m inhabitants

voted yesterday.

The president, who this time needs only a simple majority to secure a four-year second term, is also expected to pick up most of the 11 per cent polled by Mr Gheorghe Funar, a anti-Hungarian nationalist, who finished third in the first round of voting.

Mr Constantinescu, a univer-

sity rector, refused to give up

the fight in the two weeks fol-

lowing September 27 but

received little support from the

Democratic Convention (DC),

the loose coalition of 18 reform-

minded opposition parties

which nominated him for presi-

dency.

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No single party or bloc of

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Because of fears of electing a

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Mr Shevardnadze on Satu-

day pledged that he would

recapture the areas of Abkhazia taken from Georgian troops

earlier this month. Mr Tengiz Khitovani, the Georgian defence minister yesterday

blamed "treason" by command-

ers and servicemen in desert-

ing the posts in Gagra, the north-

ern town captured by Abkhazians.

Talks between Mr Shevardnadze and Mr Boris Yeltsin, the Russian president and Mr

Vladislav Ardzinba, the Abkhazian leader were set for

Tuesday - but there are now

doubts that they can take

place.



Georgian prisoners of war wait to be exchanged for Abkhazian prisoners in the town of Gudunda over the weekend

Shevardnadze set to win mandate

By John Lloyd in Moscow

MR Eduard Shevardnadze, the former Soviet foreign minister, was expected to win a legitimate mandate in yesterday's elections as Georgia's leader, together with backing for his attempt to retrieve territory lost to Abkhazian separatists in the north-west of the state.

Voting in the parliamentary elections in Georgia and for the post of parliamentary leader, for which Mr Shevardnadze, who led the Georgian Communist party until 1986, is the only candidate, went off generally peacefully in the

republic yesterday. However towns in the autonomous

republic of Abkhazia controlled by separatist forces and their

north Caucasian allies boycotted the vote.

A heavy turnout was reported by the Central Election Commission in the capital of Tbilisi, with nearly half of

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NEWS: INTERNATIONAL

Persecuted Indians attack ghost of Columbus

Latin American groups find nothing to celebrate 500 years after explorer's arrival, says Damian Fraser

CHristopher Columbus would not have approved. The anniversary of his arrival in the New World 500 years ago today has been expropriated by the very Indians whose subjugation followed his arrival. Celebrations have turned into protests by Indian groups at the miserable conditions and discrimination under which they live.

Indian activists in Peru, Brazil, Ecuador, Bolivia, Colombia, and Mexico have staged street marches. In Nicaragua, indigenous groups from 24 countries are converging for a conference: 500 years of indigenous resistance, black and popular.

"There is nothing to celebrate," says Ms Rigoberta Menchu, the Guatemalan Indian and human rights activist leading the conference. "The rights of the Indian people continue to be violated," says Ms Menchu, a candidate for this year's Nobel peace prize.

Latin nations, faced with the choice between celebrating with Spain and Portugal or sympathising with oppressed indigenous groups, have chosen the latter, or stayed silent. One hundred years ago, the same creole élites ruling the continent faced no such inhibitions: the Guatemalan government forced 20,000 Indians to march through the capital to

celebrate the 400th anniversary of Columbus' arrival.

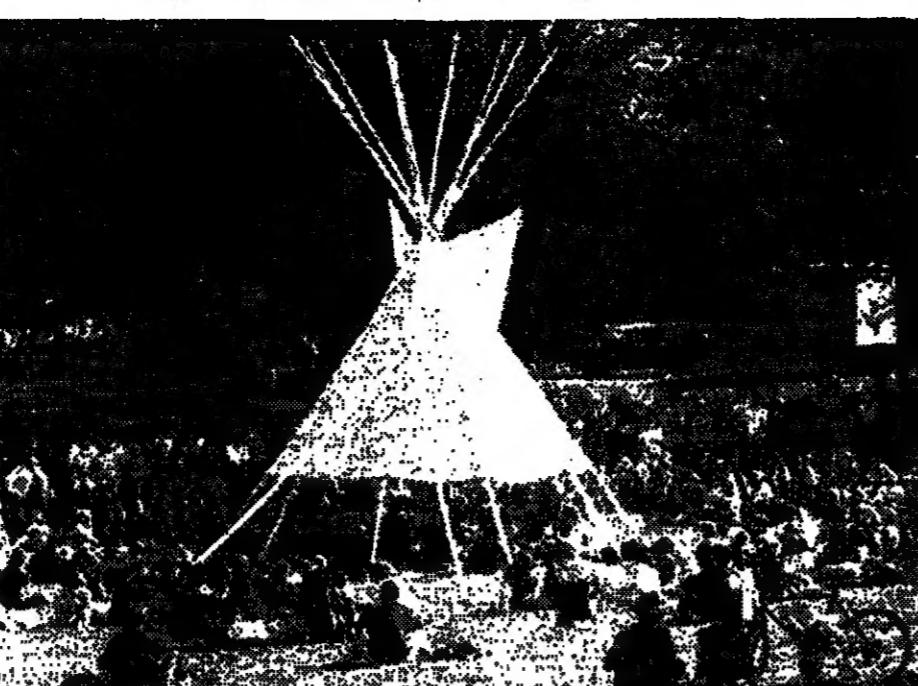
In Mexico, while the government has been virtually silent, hundreds of Indians have converged on Mexico City, where they will gather today in the capital's central square.

Genaro Dominguez, an indigenous activist on hunger strike there, says the campaign is to "remind the world of the crimes committed against us in the name of progress and discovery".

The mobilisation of indigenous groups across Latin America in part reflects the repression and deterioration in living standards they suffered in the 1980s in particular.

Anti-Columbus campaigning has provided a focus for their concerns. "Everyone is talking about Indians," says Mr Domingo Hernandez, a Guatemalan Indian in exile in Mexico City. "It is the first step in our fight to be recognised."

In the cities of Mexico, Indians are "poor, often extremely poor, and have the lowest, most vulnerable, precarious conditions," according to a government report. Inevitably, their cultural identity is threatened: "The culture of the Maya is based on land, corn, the family and communal life," says Mr Domingo Hernandez, a Guatemalan Indian in exile in



Sunrise gathering: crowds gather round a ceremonial teepee in New York's Central Park over the weekend to campaign for the return of Indians' ritual objects

Mexico City. "When you come to the cities this changes."

Government policy across Latin America has systematically favoured urban over rural areas where the majority of indigenous peoples live. Some

70 per cent of Mexico's 8m Indians live in rural areas.

Even in the countryside, the Indians are the poorest: 97 per cent of Mexico's rural Indians live in "impoverished" countries, against 23 per cent of rural Mexicans in general.

No one knows the exact number of Indians killed in land disputes or by security forces in the 1980s, but Amnesty International concluded in a report released last

week that mass killings may have reduced in scale in the past 500 years, but "they have never stopped." In Guatemala alone tens of thousands of Indians were murdered in the 1980s by state security forces in the campaign to eliminate leftist insurgency groups.

Those celebrating the quincentenary appear slightly embarrassed. In the Dominican Republic, a visit by the Pope threatened to become a public relations disaster. He was to have inaugurated the lighthouse on land Columbus first spotted, but the Vatican became embarrassed at criticism that it would take a large slice of the country's electricity and infrastructure spending. The lighthouse was opened last week before the Pope arrived.

The discrimination and poverty in which most Indians live means it will take time before any new concern leads to results. Mr Guillermo Espinoza, head of Mexico's National Indigenous Institute warns: "The indigenous peoples will keep on protesting, but I am very sceptical the general public will change their opinion. There may now be a sentimental reaction but there is not an analytical or objective understanding of their plight."

US reaches trade pact with China

By Nancy Dunne
in Washington

THE US and China over the weekend signed a pact designed to open China's markets to foreign goods, thus averting billions of dollars in trade sanctions threatened by both sides.

The agreement is a major triumph for Mrs Carla Hills, the US trade representative. Since bringing up an US Section 301 case against China a year ago, Mrs Hills has applied steady pressure on Beijing, ultimately using as a threat a potential retaliation list totalling \$3.9bn (£2.3bn) in Chinese exports to the US.

At the same time, she dangled as bait US support for China's long-sought membership of the General Agreement on Tariffs and Trade (Gatt). She resisted congressional pressure to take the lead in pushing for Taiwanese membership in the Gatt ahead of China's.

In the pact with China, Beijing agreed to phase out 75 per

cent of its import licences, quotas and non-tariff barriers within two years. It also agreed to publish its secret trade rules, quotas, and technical standards, all of which have been used to discourage imports.

China's trade surplus with the US this year could rise to \$17bn, but US officials say the new pact prepares the ground for increased US exports of computers, machinery, chemicals, telecommunications equipment, motor parts and farm products.

• China's Foreign Ministry has summoned Mr Stapleton Roy, the US Ambassador to China, to protest against Washington's support for Hong Kong autonomy after the British colony reverts to Chinese rule in 1997, an official report said yesterday, according to AP in Beijing.

Vice-foreign minister Liu Huaqiu summoned Mr Roy to lodge a protest against the Hong Kong policy act, signed recently by President Bush.

Congress likely to back radical economic change

By Simon Holberton in Beijing

THE SENIOR leadership of the Communist party of China gathers in Beijing today for a week-long congress which is expected to endorse radical plans for economic change but balance evenly the forces of conservatism and reform at the top of the party.

China's "open door policy" to foreign investment and the country's continuing engagement with the rest of the world is expected to gain the full approval of the congress. It is also likely to endorse further industry and price reforms, and proclaim the creation of a "socialist market economy" as one of its key tasks.

Congresses of the Chinese Communist party are, however, as much about policy as they are about jobs. Diplomats in Beijing expect the party to retain Jiang Zemin as its general secretary and titular head, and also to retain Li Peng as prime minister. Li's reappointment is not expected to be confirmed until positions in a new Chinese cabinet are announced next spring.

Neither reappointment is what Deng Xiaoping, China's 88-year-old leader, sought when he embarked on a campaign of reform at the beginning of the year. However, analysts said, Deng was forced to accept their reappointment during a round of intense horse trading among the country's gerontocracy.

The congress will elect a new central committee for the Communist party. One of its first tasks at the end of the congress will be to elect the politburo and its all-powerful standing committee.

Zhu Rongji, 63, China's industry chief and a leading economic reformer, is expected to be appointed to the politburo but it is unclear whether he will make the standing committee. Zou Jiabao, 65, head of state planning and moderate, is also expected to enter the central committee.

Presence of Deng will loom over the proceedings

At a briefing yesterday, a foreign ministry spokesman said that there was a motion on the Congress's agenda for it to be disbanded and that no elections would take place for this body.

Deng looms over this, the 14th congress of the party since its founding in 1921. Although he has accepted an invitation to attend he is not expected to do so. Diplomats in Beijing believe that the effort he put in to enlightening the fires of economic reform earlier this year have affected his health. Some think he is seriously ill.

His name, however, will be enshrined in party documents which may possibly making him an equal of Mao Zedong, the nation's revolutionary leader and unifier - and his daughter, Deng Nan, a scientist, may well be elected to the central committee.

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NEWS IN BRIEF

Kuwait 'chooses US' to supply main battle tank

KUWAIT has chosen the US Abrams M1-A2 tank, similar to those which helped the allies win the Gulf war against Iraq, as the main battle tank for its army, the official Kuwait News Agency (Kuna) quoted Sheikh Ali Sabah al-Salem al-Sabah, defence minister, as saying yesterday. Reuter reports from Kuwait City. A committee of military experts had chosen the tank as "the most responsive to Kuwaiti army requirements", the report went on.

But last night, Vickers of the UK, which had been competing for the contract, said it had no knowledge of any decision and was surprised by the report.

According to Kuna, Sheikh Ali said contacts were under way with the US government to facilitate the purchase of the tanks made by General Dynamics. Kuna did not say how many tanks Kuwait would buy or give the expected value of the deal. British Challenger tanks competed with US tanks in desert trials this summer for a contract expected to involve about 230 tanks and spare parts in a deal worth \$1.5bn-\$2bn.

BMW-Renault recycling pact

BMW, the luxury car maker, has sealed the first international co-operation agreement for recycling used cars with France's Renault. It said yesterday, Reuter reports from Munich. BMW had signed the contract to work together on disassembling procedures and industrial recycling of the used cars, it added.

The two groups also agreed that Francaise des Ferrières in Athies-sous-Belloy would process used BMW cars in France, while Guenther Schmitt in Würzburg would recycle used cars of both companies in Germany. Germany's environment minister Klaus Töpfer presented a draft regulation in August which would make it compulsory for car makers to take back their old cars when the cars are ready for the scrap heap.

Bhutto leads parliament boycott

Pakistan's former prime minister Benazir Bhutto led an opposition boycott of the parliament's lower house yesterday after clashing with the government over an alleged attempt to kill her last month. Reuter reports from Islamabad. Ms Bhutto and other deputies of her People's Democratic Alliance (PDA) marched out of the house after Gohar Ayub Khan, the National Assembly speaker, gave short shrift to their accusations.

On Saturday, a court acquitted Ms Bhutto's husband Asif Ali Zardari of masterminding the murder of 29 people. Prison officials said Mr Zardari, arrested in October 1990, was still being held to face other charges, although this acquittal was his fifth so far.

Indian rebels die in attack

Five separatist rebels were killed when police raided their jungle hideouts in north-east India's Tripura state, officials said yesterday. Reuter reports from Gauhati. But the Press Trust of India said at least 16 rebels had been killed in the operation.

Burma to de-nationalise sawmills

Burma's military junta announced yesterday it was returning to private ownership sawmills nationalised over two decades ago, AP reports from Rangoon. The official newspaper Kyemon identified the 18 mills and named the people who claimed to own them. Newspapers recently invited private entrepreneurs to rent government industrial establishments, or join the government in operating them. These include textile, shoemaking and umbrella factories.

N Korea denounces US

Communist North Korea denounced the US yesterday for delaying planned troop reductions in South Korea. It said the decision was a grave military challenge that aggravated tensions on the Korean peninsula, AP reports from Tokyo. The US and South Korea agreed last week to continue delaying the US troop cuts until assured that North Korea is not developing nuclear weapons.

Assault on separatist Kurds

Iraqi Kurds attacked ridges guarding the last bastion of Turkish separatist Kurds in northern Iraq yesterday. Reuter reports. Kurdish Peshmerga guerrillas crept up rocky heights which command entry to the Hakkur valley, where Turkey's Kurdistan Workers Party (PKK) has its military command. The assault, which could take several days, was the climax of a week-old offensive to drive the PKK from their bases in northern Iraq.

Rabin threatens to crush unrest with 'all our strength'

Palestinians suspend hunger strike

By Hugh Corrigan
in Jerusalem

PALESTINIAN prisoners yesterday suspended a two-week-long hunger strike which prompted widespread unrest in the occupied territories and raised fears that the issue could disrupt Middle East peace talks, which are due to resume in Washington on October 21. At least 2,000 prisoners had

been carrying out the fast in protest at prison conditions. Last night a Palestinian lawyer representing the hunger strikers said agreement had been reached with the prisons authority to investigate complaints faced by the 12,000 Palestinians in Israeli jails and that the hunger strike would be suspended for one week while the agreement was implemented.

Earlier, Mr Yitzhak Rabin,

Israeli prime minister, said during a visit to the occupied Gaza Strip that Israeli troops would use "all our strength" to suppress unrest sparked by the hunger strike.

"The Palestinians must understand that the solution to their problems will be around the negotiating table and not in the streets and alleyways of the occupied territories."

At least two Palestinians, including a 14-year-old boy,

were reported killed and more than 100 injured over the weekend in widespread clashes with the security forces in the West Bank and Gaza. Yesterday, an Israeli civilian working at a Jewish settlement in Gaza was killed by a Palestinian farm worker.

Israeli officials expressed concern that the unrest marked a resurgence of the five-year-old intifada, or uprising, in the occupied territories.

Lebanon completes poll for deputies

By Lara Marlowe
in Raouche, Lebanon

LEBANON yesterday completed its first parliamentary elections in 20 years, as a by-election that was boycotted by a majority of voters.

The turnout at elections in Kesrouane, the coastal strip north of Beirut, was estimated at less than 15 per cent.

Mr Nasrallah Sfeir, the Maronite patriarch, and a coalition of right-wing Maronite Catholics, had called on the 80,000 registered voters to boycott the poll. While most Christian Maronite voters backed the call, the extent of the boycott is unclear.

The five winning candidates will join the 128-member parliament when it convenes for the first time on Friday.

Ten thousand Lebanese army troops and police were despatched to Kesrouane to ensure security during the vote. They manned checkpoints at all main intersections and searched cars for weapons.

Advocates of the boycott claim the newly-elected parliament has no legitimacy while 35,000 Syrian troops remain in Lebanon. The Lebanese Opposition Front, established last week, is demanding the dissolution of the legislature. Those who took part in the election pointed out there are no Syrian troops in Kesrouane.

Three of the Opposition Front's four Maronite leaders, including the rebel general Michel Aoun, live in France. Much of Kesrouane was bombed by Gen Aoun's forces in the inter-Christian war he started in 1989, but the exiled officer is popular here.

The region is the seat of the Maronite patriarchate and is regarded by many Maronites as the heart of Lebanon. The Kesrouane parliamentary elections, which were originally scheduled for August 30, were postponed when all candidates withdrew.

The participation of 24 candidates in yesterday's poll was a blow to the prestige of the patriarch.

The mountain village of Raouche is home both to Patriarch Sfeir and one of the more prominent candidates, his cousin, Mr Henri Sfeir. Mr Sfeir resisted pressure from his clan and the church to renounce his candidacy.

"People here are torn between allegiance to the church and political pragmatism," said a brother of the candidate. "How can we make our voice heard if we have no seats in parliament?"

In an election based on feudal family loyalties, the list led by Mr Farès Bzeil, the former foreign minister, appeared likely to win most of the five seats.

Baghdad returns US bomb expert

US bomb disposal expert Chad Hall, arrested by Iraqi security forces on the disputed Kuwaiti border, returned to Kuwait yesterday under UN escort, Reuter reports from Kuwait.

UN officials handed Mr Hall to US ambassador Edward Gresham at Kuwait City airport and he was driven to the US embassy. Mr Hall, earlier arrived under UN escort at Umm Qasr, near the frontier, where he was given medical checks. An official said: "He looked pretty healthy to me."

Mr Hall, hired to clear ordnance left over from the 1991 Gulf War, was arrested by the Iraqis at gunpoint on Thursday as he was working with two Pakistani colleagues. The UN said he was arrested at least 1km inside Kuwait.

Iraq freed Mr Hall to UN custody on Saturday. It was in marked contrast to the harsh treatment meted out to other foreigners detained on the Kuwaiti frontier or in north-west Iraq since the Gulf War ended last February.

Mr Hall, a retired US Army major, was taken at gunpoint by Iraqi security police after an argument over whether he and two Pakistani workers were working in Kuwait or Iraq. The territory had belonged to Iraq until May, when a UN commission redefined the border; Baghdad has refused to recognise the new boundary.

Baghdad announced Mr Hall's release on Saturday, carefully worded to avoid an apology, but implicitly admitting a mistake over Mr Hall's detention. Under Iraqi law, anyone entering the country without a visa can be jailed for up to 20 years; several foreigners have been convicted after being arrested near Iraqi territory.



Members of the Zulu-based Inkatha Freedom party make a show of arms inside the gates of a workers' hostel in Tokosa, South Africa, as an African National Congress march passed the hostel en route to a rally yesterday. Soon after, Prince Mambili, a regional leader of Nelson Mandela's ANC, and three youths were killed nearby when gunmen fired on their car, Reuter reports

Turkey, Arab nations in electricity link

TURKEY and four Arab countries yesterday approved a \$185m (£103.9m) will be financed by the Kuwait-based Arab Fund for Economic and Social Development, whose director-general, Mr Abdullatif al-Hamad, attended the talks.

Electricity and industry ministers of Turkey, Syria, Jordan, Iraq and Egypt signed an agreement after two days of talks in Damascus. The first stage of the project costing

Canadian companies.

Turkey's energy minister, Mr Erkin Faralyali, said the linked grid would serve 150m people.

Syria's electricity minister, Mr Kamel al-Baba, said the project should be a first stage towards connecting the five states with Gulf Arab countries and linking these with Europe through Turkey.

Maghreb Arab countries should be linked with the five through Egypt, and other African states could also join the network, he added.

Egypt's electricity minister, Mr Maher Abaza, said work was under way on a project to link the electricity networks of Egypt and Jordan, expected to be completed in 1995.

Fraud alleged in Cameroon elections

CAMEROON'S main opposition leader alleged widespread fraud in yesterday's first multi-candidate presidential election, but said he still expected to win, Reuter reports from Yaoundé. President Paul Biya's strongest challenger, Mr John Fru Ndi, claimed the government had stuffed ballot boxes,

altered electoral lists and distributed inadequate ballot papers for the opposition.

The government-controlled radio did not report fraud but serious organisational problems were observed at polling stations in the capital Yaoundé, the northern city of Garoua and some other cen-

tres. Numerous problems with electoral lists and ballot papers delayed the start of voting.

The second main opposition candidate, Mr Bello Bouba Maliki, said the voting had been "badly organised". A prominent member of Mr Biya's ruling Cameroonian People's Democratic Movement (CPDM)

described the organisation in Garoua as perfect. Reports that the Douala-based opposition politician, Mr Jean-Jacques Ekindi, had withdrawn from the race, reducing the number of candidates to five, were denied. But Mr Ekindi's ballot papers were not distributed in several Douala polling stations.

Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS																			
UNITED STATES			JAPAN			GERMANY			FRANCE			ITALY			UNITED KINGDOM				
Consumer prices	Producer prices	Unit labour costs	Consumer prices	Producer prices	Grossings	Consumer prices	Producer prices	Unit labour costs	Consumer prices	Producer prices	Grossings	Consumer prices	Producer prices	Unit labour costs	Consumer prices	Producer prices	Unit labour costs		
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
1986	102.4	102.4	99.4	97.5	101.4	105.3	131.0	104.0	102.3	102.5	97.2	104.5	107.5	102.3	100.1	104.3	93.3	100.0	
1987	105.5	105.5	103.8	96.7	102.4	102.5	103.1	100.6	101.0	98.1	102.0	107.8	109.0	102.6	107.7	106.3	91.3	100.0	
1988	108.9	108.9	108.9	98.1	102.2	92.3	102.3	107.8	101.4	96.2	113.0	107.0	125.3	109.8	108.3	116.3	105.9	91.3	100.0
1989	115.2	106.5	110.0	95.9	104.9	94.2	114.0	96.1	104.2	99.3	117.3	106.0	121.0	112.6	108.4	115.4	105.9	91.3	100.0
1990	121.5	113.6	113.8	100.9	108.2	95.7	120.1	107.0	107.0	101.0	123.9	110.0	125.0	118.4	107.1	120.6	106.9	97.5	100.0
1991	126.8	116.3	117.3	105.5	111.8	97.3	124.4	110.7	103.4	101.7	120.0	115.0	125.0	120.0	121.7	113.6	98.4	100.0	100.0
3rd qtr. 1991	93.5	101.5	93.2	87.5	93.2	87.5	100.0	97.5	91.0	4.1	2.8	n.s.	4.5	2.7	91.0	6.4	3.1	10.7	114.3
4th qtr. 1991	93.0	-0.2	2.5	1.7	3.2	0.0	3.2	8.0	3.9	2.4	n.s.	8.6	3.6	3.5	6.1	2.1	10.6	12.7	107.0
1st qtr. 1992	2.9	0.4</td																	

NEWS: UK

MacGregor supports early ERM re-entry

By Ivo Dawney,
Political Correspondent

MR John MacGregor, transport secretary, recently seen as a possible future chancellor, yesterday lined up squarely with senior cabinet colleagues backing Britain's return to the European exchange rate mechanism as soon as it is feasible.

Mr MacGregor's unequivocal support for early re-entry to the ERM will disappoint those who saw him as less controversially "European" than the other widely cited contender for the post - Mr Kenneth Clarke, home secretary.

In repeated statements since Britain left the ERM on September 16, Mr John Major, prime minister, has felt obliged to stress there is no question of Mr Norman Lamont being moved from the chancellorship. However, speculation over Mr Lamont's medium-term future has continued unabated, fuelled by the poor reception from commentators and the City to his speech to

the Conservative party conference in Brighton last week.

The question mark over the chancellor of the exchequer provoked widespread discussion in the fringes of the conference - itself fiercely divided over the desirability of UK membership of the ERM - as to his likely successors.

While a straight switch of jobs between Mr Lamont and Mr Clarke was cited as one option, some argued that Mr MacGregor, former chief secretary to the Treasury, would be a less controversial alternative.

But Euro-sceptics rallying to Mr Lamont made clear that such a move would be viewed as a serious shift in the delicate balance of influences on the prime minister towards the most vehemently pro-Maastricht Europeans.

On the other hand, Mr MacGregor as chancellor - much like the appointment of Mr Peter Brooke to National Heritage - was seen as a less contentious alternative.

In a BBC television inter-

view, however, Mr MacGregor made plain yesterday that he was closely allied with Mr Clarke, Mr Douglas Hurd, foreign secretary, and Mr Michael Heseltine, trade secretary, in the strongly pro-ERM faction in the cabinet.

Their opponents are Mr Michael Howard, environment secretary, Mr Peter Lilley at social security and Mr Michael Portillo, chief secretary. Mr Lamont's official backing for a return "when circumstances allow" is widely viewed as indicating scant enthusiasm for any such move.

Taking care to pledge unqualified support for the chancellor's decision to leave the mechanism, the transport secretary said currency flows had left no alternative, although the enforced exit was "a great pity. Once we have sorted out what needs to be done to produce an ERM, or post-ERM, that will assist the community with dealing with those currency flows, then we should be back in it."

Lamont told Treasury to gloss over projections

By Peter Marsh

MR NORMAN LAMONT told Treasury economists to put a more favourable gloss on official projections for the UK's growing public sector deficit published a month before the April general election.

In an internal note, the chancellor told officials to recalculate projections for the public sector borrowing requirement in the five years to 1996-97, to pull these down if possible to zero by the end of the period. That led the Treasury to publish projections for the cumulative deficits in the three years to 1996-97 that were roughly £20bn below the original figures worked out internally.

Mr Lamont's initiative was designed to ensure that the Budget statement published in March, which also contained the latest Treasury forecasts, would not include figures about government deficits that would unsettle financial markets and the public.

Details of the manoeuvrings will intensify pressure on Mr Lamont to clarify the degree to which Treasury economists provide analysis free from political pressures.

Mr Lamont, whose future is in some doubt after the debacle of the pound's suspension from the exchange rate mechanism and his lacklustre reception at last week's Tory conference, is to discuss economic strategy today at a meeting with the Commons' treasury and civil service committee.

Seven months after Mr Lamont made his move to cut the Treasury's PSBR projections, he is attempting to trim back public spending next year because of renewed fears about rising state borrowing triggered by the recession.

The bleak sales outlook is matched by a severe slump in profit expectations. Only 21 per cent of companies predicted improved profits in the next three months. For the first time in over a year, Dun and Bradstreet's optimism index, a method of calculating business confidence, reveals that the quarter-to-quarter decline is the steepest since the fourth quarter of 1989 and the first of 1990.

The report says companies are delaying investment because they are worried about business prospects and believe they risk a net loss on developments they plan.

Gloomy outlook among financial services groups

A PICTURE of deepening gloom and pessimism in Britain's financial services companies emerges from the latest quarterly survey of business confidence in the sector, published by the Confederation of British Industry and Coopers & Lybrand today, writes David Barchard.

The report says companies are delaying investment because they are worried about business prospects and believe they risk a net loss on developments they plan.

In contrast to the second quarter of the year, when companies were increasingly confident about business prospects, the survey reveals that many of the 300 companies, ranging from banks and building societies to stockbrokers and venture capitalists, saw their business volumes dwindle in between July and September.

Sharp decline reported in business confidence

By James Bentz

THE latest survey of business confidence in the UK, published yesterday by Dun and Bradstreet International, the business information company, reveals the sharpest decline in expectations for profits, sales and new orders in British commerce since the recession started in the spring of 1990.

The report, the first national survey of business confidence to be conducted since the government was forced to float sterling on the foreign exchanges on September 16, reflects deepening gloom in most sectors of the economy.

In retailing and construction the outlook seems particularly bleak. Retailers anticipate declining sales volumes despite an aggressive price cutting strategy, while most building firms are forecasting static order books at best.

Trafalgar House chief to step down

By Roland Rudd

SIR NIGEL BROACKES is to relinquish control of Trafalgar House, the property, construction and shipping group.

Sir Nigel, who founded the group more than 30 years ago, is to step down as chairman and become life president, which is expected to be an honorary consultancy post without an automatic board seat.

The move is part of a series of managerial changes at the group, which has thwarted an attempt by Hongkong Land to

increase its stake substantially. Sir Eric Parker is to step down as chief executive in favour of Mr Alan Gormly, head of the engineering division.

Mr Alan Clements, the senior of the group's three non-executive directors, has drawn up a list of outside candidates to take over as chairman.

The non-executives, who include Mr David Howell, a senior Conservative MP, and Mr Tony Ryan, chairman of GPA Group, the aircraft leasing company, recently decided against approaching any poten-

tial successor to Sir Nigel after Hongkong Land took 14.9 per cent of Trafalgar.

The colony's leading property and development group will today confirm it failed to increase its stake in the tender offer by more than 1 per cent. Nonetheless, one of Trafalgar's financial advisers yesterday said the group would consider a request from Hongkong Land to have boardroom representation.

Trafalgar is not expected to announce the managerial changes until the terms and conditions of Sir Eric's departure are finalised.

New technology for old pictures

THE Hulton Deutsch picture library, one of the largest in the world, with more than 13m images, is moving to the latest CD-Rom technology, writes Raymond Snoddy.

The company, bought from the BBC in 1988 by Mr Brian Deutsch, a former cable television operator, published its first CD-Rom this week. People. Some 10,000 images are stored on a single disc the size of a conventional music compact disc. The disc, used with a personal computer, is designed for researchers, picture editors and advertising agencies, who can call up a name and see thumbnail pictures with references and captions.

The aim is to speed up picture research and the ordering of pictures, which can be delivered within 24 hours. A second CD of pictures from the 1930s is in preparation.

Mr Deutsch recently raised £5m from a syndicate of investors led by Cinven, the venture-capital group, which has taken a 35 per cent stake.

The library was originally created by Edward Hulton, publisher of Picture Post magazine, and was owned by the BBC between 1958 and 1988. Many early collections have been added, including the Keystone, Fox and Central Press News archives.

The publisher of Picture Post, Edward Hulton, said the first issue should not have a woman on the cover and suggested a battleship instead. So the editor, Stefan Lorant, used two women instead (left).

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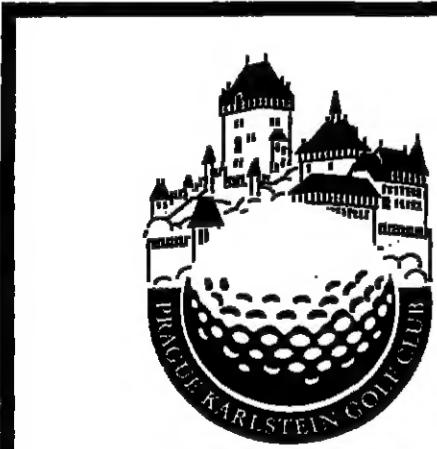
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Business in Prague

The Prague Karlstein Golf Club, the first 18 hole course in Prague, has been designed as a focal point for the Prague business community. With the facilities of a first class golf club and business centre it is the logical place in which to meet local businesses and opportunities as well as enjoy golf on a challenging and beautiful championship course. Equity memberships now available at 15,000 Swiss Francs not only provide personal or corporate membership to this prestigious club but also offer a resaleable and increasingly valuable asset.

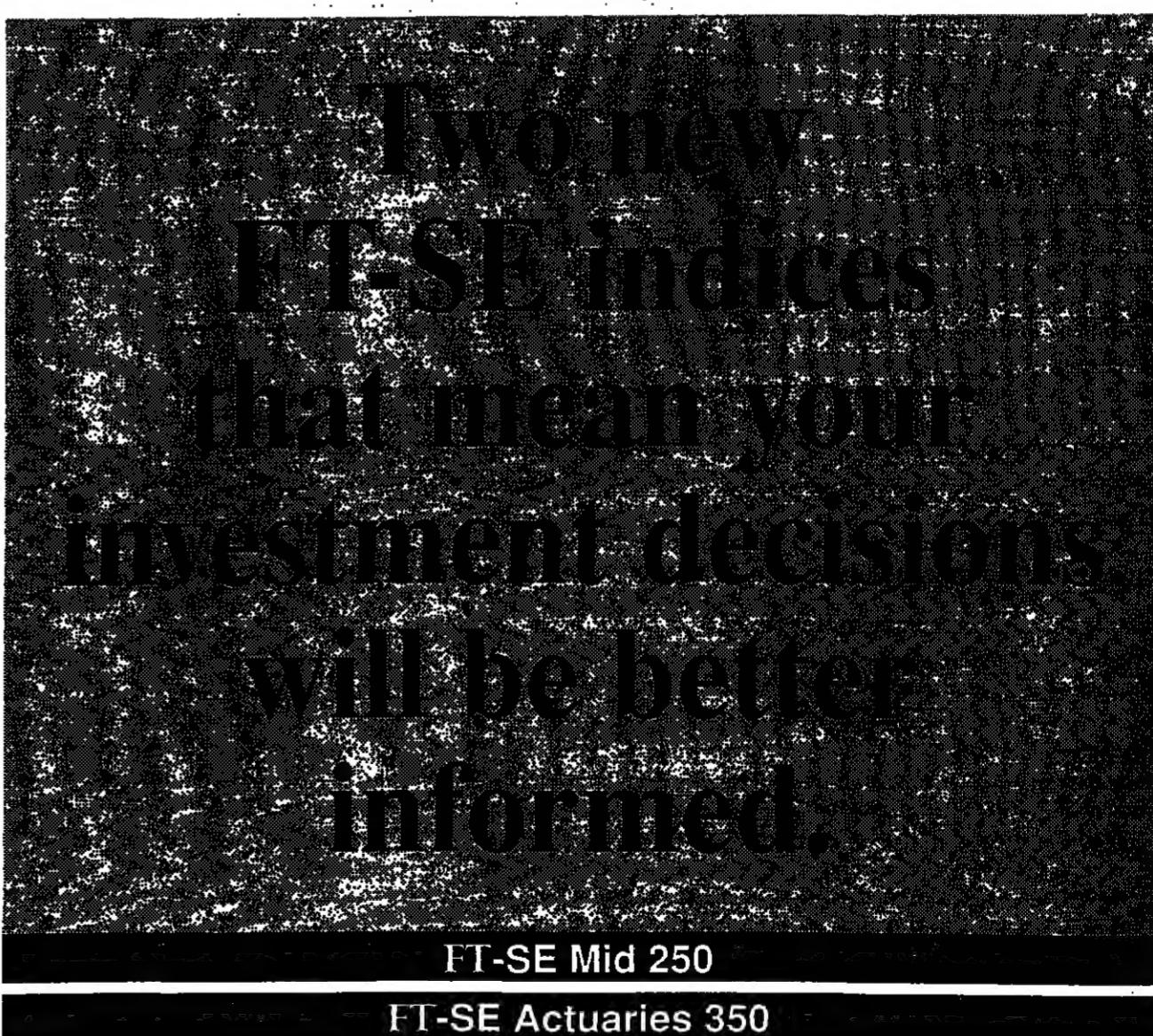
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KARLSTEIN GOLF AG
Stapferstrasse 19
CH-8615 Wermatswil-Zürich
Switzerland
Tel. (41) 1 941 77 44
Fax (41) 1 941 14 44

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As an active investor you can now judge the performance of your shares more easily and more accurately.

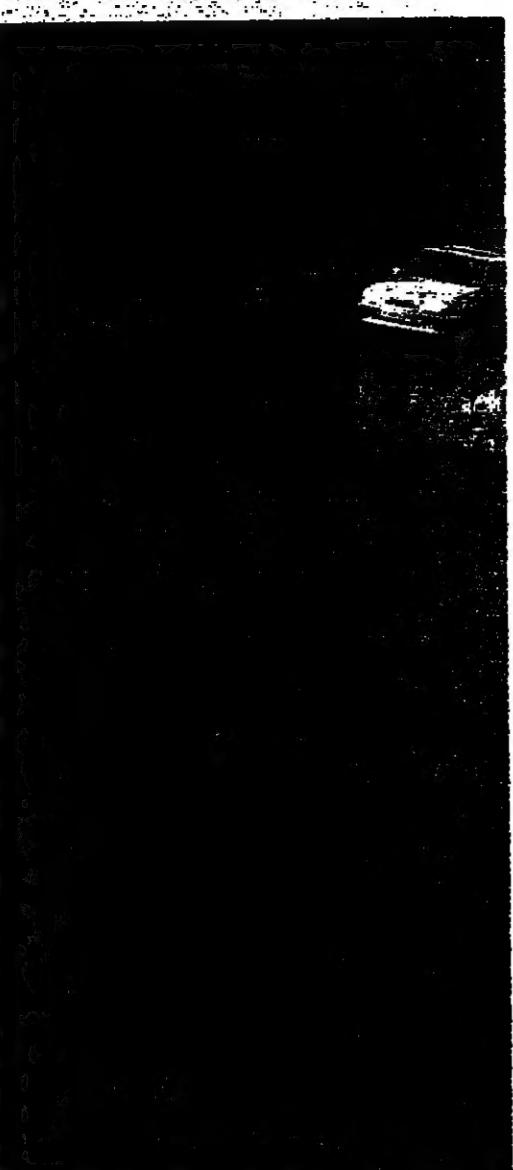
The new FT-SE mid 250 covers a range of medium to large sized UK companies ranking just below the FT-SE 100. The new index allows you to monitor this part of the market minute by minute.

The new FT-SE Actuaries 350, combining the FT-SE 100 with the new FT-SE Mid 250, covers some 90% of the UK equity market by value.

Its industry baskets give you an instant picture of your sector's performance compared with the rest of the market, allowing you to assess the standing of your shares and react quickly to industry-wide events.

The new indices, a joint venture between the FT, the London Stock Exchange and the Institute and Faculty of Actuaries mean that, from today, your investment decisions will be better informed.

WHEN YOU STEER INTO A TIGHT BEND, THE REAR WHEELS STEER YOU OUT.



Buy a Volvo 850 and you'll get a couple of extra steering wheels free.

They look like ordinary rear wheels but the way they're attached to the car makes them unique.

They're carried on trailing arms which are linked to two transverse struts and the whole unit is mounted on rubber bushes.

The links and bushes give additional flexibility.

This allows the lateral forces that occur naturally in a tight corner to turn the rear wheels in the opposite direction to the front wheels.

We call it the Delta-link suspension system.

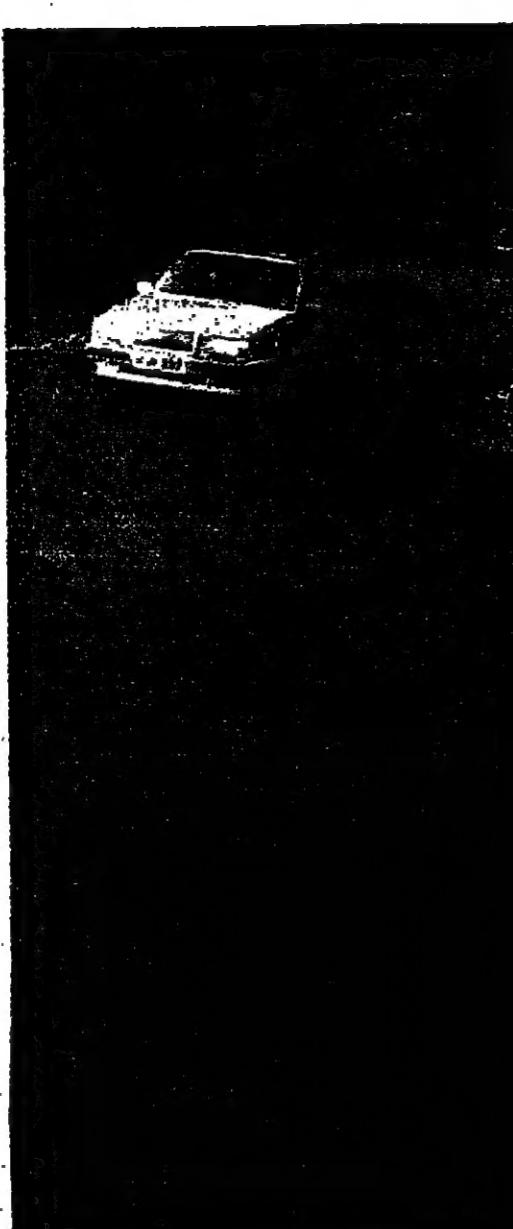
It makes the car stable, responsive and a whole lot more fun to drive.

However, sporty suspensions are no use without sporty engines.

So neatly shoe-horned between the front wheels you will find the world's first transverse, 5 cylinder, 20 valve engine.

(It sits sideways so your passengers don't have to.)

The 2.5 litre version generates 170 brake horse power and delivers 90% of maximum torque from 2000 to 6000 revs.



Or as Autocar put it "The five is a great engine."

Free revving, flexible, refined and gifted with a voice that will warm the hearts of those who have never given a Volvo a second thought until now."

(Be careful how you use it or you may pick up one or two endorsements of your own.)

It will whisk you from 50-70 in under six seconds and on to 134 mph should you

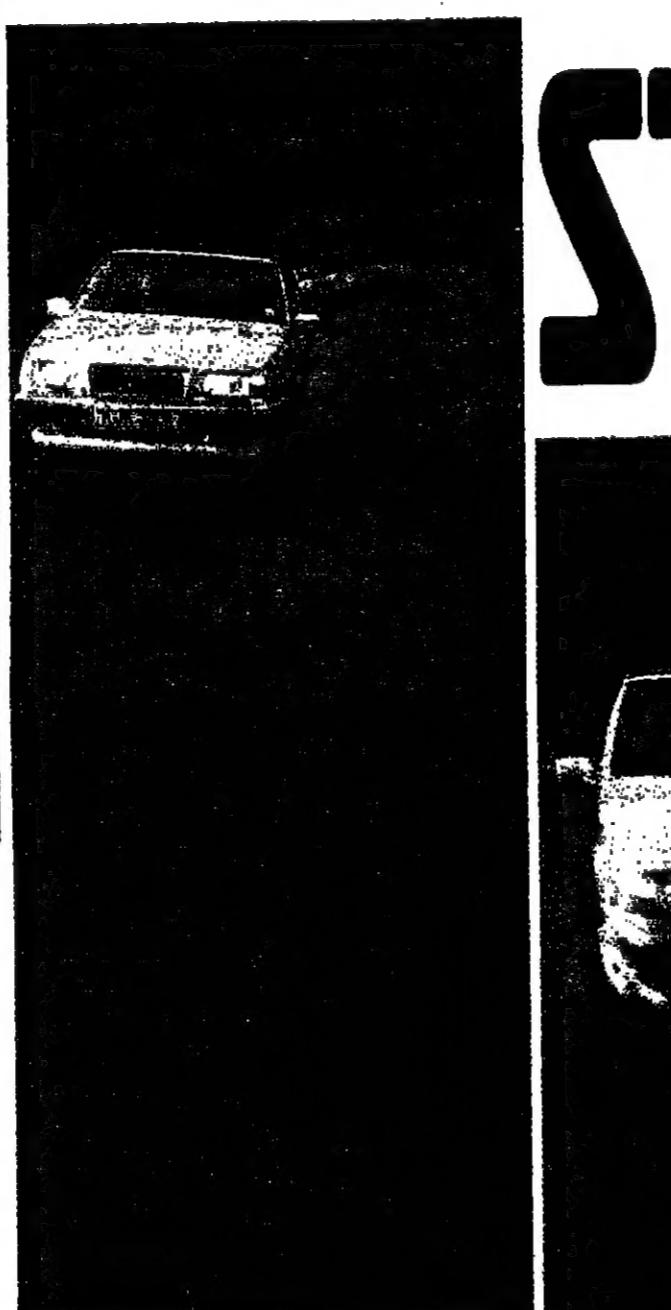
find yourself on the autobahn.

(As the engineers at Porsche, who had a hand in its development, often do.)

But do these innovations mean that Volvo's traditional safety values have been left behind in the 850's impressive slip stream?

Far from it.

Hidden below its sleek exterior lies SIPS, Volvo's new side impact protection system.



High strength steel is used in the roof, floor and central pillars, while bars run laterally inside the front and rear seats.

In a nearside collision the far side pushes out, effectively moving its occupants away from danger.

The impact is transferred through the metal, not the passengers.

Side impacts account for one in four crashes and tests have shown that this system reduces the risk of chest injury by 50%.

The 850 also has self-adjusting front seat-belts that ensure a safe positioning regardless of the size of the passenger.



And rear lap belts will not do; everyone who sits in the car gets a three point seat belt.

However, in an effort to render all of the above safety measures unnecessary, anti-lock brakes come as standard.

If you would like to experience the 850 for yourself telephone 0800 400 430 and arrange a test drive.

We'll be happy to steer you into one.



**THE VOLVO 850.
IT DRIVES
LIKE IT'S ALIVE.**

THE WEEK AHEAD

ECONOMICS

Input prices hang on sterling's fall

THE first impact of sterling's devaluation on prices should show up in this week's input price index for materials and fuel used by UK manufacturers.

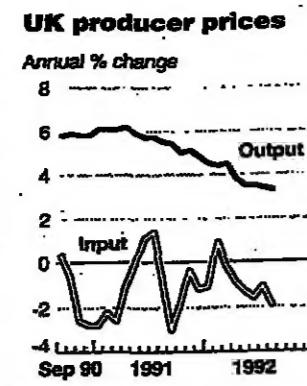
In August, input prices declined by 1.9 per cent, mainly reflecting an exceptional fall in the price of food manufacturing materials and weaker petroleum products prices.

However, sterling has fallen sharply against both the dollar and the D-Mark since September 16, when the UK abandoned the European exchange rate mechanism. Oil prices were higher in dollar terms anyway in September, and sterling's drop against the US currency will have compounded the effect.

Other indicators on the UK economy include manufacturing output which was flat in July after a small rise in June. Recent surveys by the Confederation of British Industry suggest that output remained weak in August. This is reflected in the consensus forecast of a 0.3 per cent fall for the third quarter.

Unemployment figures are also unlikely to cheer the government. Having risen by 47,000 in August, the number of people out of work and claiming benefit is forecast to have risen another 38,000 in September.

The following are some of the other economic highlights of the week with the median of economists' forecasts in brackets;



Japan, August machine orders; US, August home completions; Johnson Red Book, vice presidential debate in Atlanta; Italy, general strike against government budget.

Wednesday: UK, August industrial production (Istat), manufacturing output (down 0.3 per cent on month, down 0.5 per cent on year); US, September producer price index (up 0.3 per cent), excluding food and energy (up 0.2 per cent), car sales October 1-10 (6.2m); New Zealand, CPI; Japan, September trade balance (\$12.7bn surplus); Federal Reserve chairman Alan Greenspan and Bank of Japan governor Yasushi Mieno deliver speeches at Japan Bankers' Association.

Thursday: UK, September unemployment (up 38,000, 0.5 per cent); New Zealand, CPI; August food price index; Sweden, August current account (\$Ktr4.3bn deficit); UK, Chancellor Norman Lamont to be questioned by Commons Treasury and Civil Service select committee over exit from the ERM.

Tomorrow: UK, September producer prices, input (up 0.8 per cent on month, up 0.2 per cent on year), excluding food drink and tobacco (up 2.6 per cent); France, September consumer prices index (up 0.2 per cent on month, up 2.7 per cent on year); Spain, September CPI (up 1 per cent on month, up 5.9 per cent on year); Norway, September trade balance excluding ships (Nkr3.4bn surplus);

Emma Tucker

year), excluding food and energy (up 1.8 per cent on year); Japan, September wholesale price index (down 0.3 per cent on month, down 1.1 per cent on year); New Zealand, second-quarter gross domestic product.

Friday: UK, EC special summit opens in Birmingham; September public sector borrowing requirement (£25bn); US, August merchandise trade (\$7.2bn deficit), imports (\$37bn), imports (\$44.3bn); September industrial production (down 0.4 per cent); Canada, August merchandise exports (down 1 per cent on month), imports (down 0.9 per cent on month), trade balance (\$C700m surplus); August inventory shipment ratio (1.49 per cent); August manufacturers' unfilled orders, advance September department store sales; Japan, industrial production.

During the week: US, September capacity utilisation (78.1 per cent); Germany, August retail sales (down 2.5 per cent on year), September WPI (down 0.4 per cent), cost of living - final (up 3.6 per cent on year); Spain, September M4 (up 10 per cent); Denmark, CPI (up 0.5 per cent on month, up 2.1 per cent on year); Netherlands, September unemployment in three months to September (up 3.8 per cent); Switzerland, August trade balance (\$Fr500m deficit); Australia, August housing finance (up 3 per cent).

Emma Tucker

RESULTS DUE

LUCAS Industries, the UK-based engineering group, should produce a trading profit of £20m when it announces preliminary profits today before an exceptional gain of £50m from its pension fund refund. The group is, however, expected to announce exceptional restructuring provisions of £60m. The group should maintain its dividend.

Body Shop International will try tomorrow to repair some of the damage done to its share price by last month's profits warning. Bringing to an abrupt halt a record of unbroken profits growth, the cosmetics retailer said interim pre-tax

profits would be not less than £5m (£9.1m) and the 0.8p dividend would be maintained.

The shares fell 10p to 158p on the news and so far have only recovered to 170p. Investors will be anxious to hear how UK sales are going. Body Shop said last month that some store sales were down between 3 and 5 per cent over the past three months.

Who will end up as owner of Mirror Group Newspapers remains unresolved nearly a year after the death of Robert Maxwell but the business is still performing well.

Analysts are predicting pre-tax profits of between £2m and

£12m for the half year. When the results are announced tomorrow all the signs are that the actual performance will be at the upper end of the range.

Highland Distilleries, maker of The Famous Grouse, the second best-selling Scotch whisky in the UK, is expected to report full-year pre-tax profits today virtually unchanged from last year's £28m.

Famous Grouse, which suffered from the 12 per cent decline in the UK market in the first half, may have benefited since then from price increases and a gain in market share. Export growth is likely to have been modest, however,

and sales of new whisky fillings have been hit by lower demand and softer prices.

Lloyds Chemists, the second-largest chain of retail chemists after Boots, is expected to report on Thursday pre-tax profits for the year to June of about £20.8m. The rise from £20.8m a year earlier reflects in large part the group's ambitious acquisitions programme.

Attwoods, the international waste management company, is likely to report pre-tax profits of £4m on Friday, a sharp drop in earnings after last October's heavily discounted rights issue. Business is slow in its south-eastern US market.

UK COMPANIES

■ TODAY COMPANY MEETINGS: Mid Wynd Ind. Inv. Tst., Edinburgh 11.00 BOARD MEETINGS: Final: PR Group P.R. St. Ives Sinclair (Wm.) Interim: Body Shop Channel Hedges Hughes (T.J.) Tay Homes Interim: Gieseck (Frank G.) North British Canadian Inv. Walker Greenbank

■ TOMORROW COMPANY MEETINGS: Fleming O'sullivan Inv. Tst., 25 Copthall Avenue, E.C. 10.00 Howard Hedges, Kingston Lodge Hotel, Kingston Hill, King's Lynn, Norfolk, PE3 5RJ News Int'l., 485 Virginia Street, E.C. 12.00

Practical Inv. Co., 111 Cannon Street, E.C. 12.30 BOARD MEETINGS: Final: PR Group P.R. St. Ives Sinclair (Wm.) Interim: Body Shop Channel Hedges Hughes (T.J.) Tay Homes Interim: Gieseck (Frank G.) North British Canadian Inv. Walker Greenbank

■ WEDNESDAY OCTOBER 14 COMPANY MEETINGS: Alumasc, Ironmongers' Hall, Shaftesbury Place, Aldersgate, E.C. 10.30 Armitage Brothers, Armitage House, Colwick, Nottingham, 11.00 Macro 4, The Old Cellars, Charnwood, Charnwood, Leicestershire, LE12 2BW News Int'l., 485 Virginia Street, E.C. 12.00

Wholesale Fittings, The Institute of Electrical Engineers, Savoy Place, W.C. 10.30 BOARD MEETINGS: Final: PR Group P.R. St. Ives Sinclair (Wm.) Interim: Body Shop Channel Hedges Hughes (T.J.) Tay Homes Interim: Gieseck (Frank G.) North British Canadian Inv. Walker Greenbank

■ THURSDAY OCTOBER 15 COMPANY MEETINGS: Elised, Prince of Wales Lane, Warstock, Birmingham, 11.00 First Spanish Inv. Tst., 48 Chiswell Street, E.C. 12.00 SMC TV, Hyde Park Hotel, 88 Knightsbridge, S.W. 3.00 BOARD MEETINGS: Final: Lloyds Technology Serv.

■ FRIDAY OCTOBER 16 COMPANY MEETING: Brasway, All Saints Church Hall, Walail Road, Darlaston, 11.30 BOARD MEETINGS: Final: Atwoods Hawfaw Whiting Jakarta Fund (Cayman) Interim: Barrie Sports Service Hunting Noddy Thariss Company meetings are annual general meetings unless otherwise stated.

BUSINESS TRAVEL

UNION
THE TRAVEL EXPERTS
Scheduled return flights from

OW	RTN	
BANGKOK	220	375
JUBA	265	455
TOKYO	285	525
SYDNEY	350	680
TORONTO	210	380
NEW YORK	198	379

MORE FLIGHTS - MORE DESTINATIONS
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071-493 4343

DIVIDEND & INTEREST PAYMENTS

■ TODAY Border TV 1.6p Bradford & Bingley Bldg. Soc. Ftg. Rate Nts. 1997 226.49 Britannia Bldg. Soc. Ftg. Rate Nts. 1993 £261.65 City of Swansea 13 1/4% Red. 2006 26.875 Enterprise Oil 11 1/2% Uns. Ln. 2016 £5.8125 Gardner 0.47p Small Co's Inv. Tst. 1.2p Warnford Inv. 4.5p

■ TOMORROW Central American Bank for Economic Integration Ftg. Rate Serial Nts. 1994 £56.93 HSBC Prim. Cap. Ind. Ftg. Rate Nts. (3rd Sars.) \$46.32 Koba Steel 5.6% Bds. 1996 176354

Marine Midland Finance NV Gtd. Ftg. Rate Nts. 1994 13.42 National Australia Bank Ltd. Sub. Ind. Ftg. Rate Nts. \$230.02 National Power 6.1p News Corp. A\$0.05

News Int'l. 1.811 Practical Inv. Co. 2.2p Prestwich Hldgs. 1p Treasury 9% Ln. 2008 £4.5

■ WEDNESDAY OCTOBER 14 American Tst. 1.5p Armitage Brothers 3.4p Eurotherm 3p Hewlett-Packard 0.2 Howard Hedges 0.6p Independent Inv. Co. 0.5p Kuala Lumpur Kepong Berhad M50.05 Quadrant Intercontinental Fd. (European) 0.057 Do. (Int'l. Bd.) 30.565 Slough Estates 3.1p

■ THURSDAY OCTOBER 15 American Brands 12 1/2% Uns. Ln. 2009 £8.25 BAT Inds. 14.6p BCE C\$0.65 Bletchley Motor 4.4p Bradford & Bingley Bldg. Soc. Ftg. Rate Nts. 1999 £257.65 British Assets 41 1/2%

British Gas 1.311 Prt. 1.575p Do. 5% (32 1/2% net) A Prf. 1.75p Chrysler Corp. \$0.15 Cleveland Place Hldgs. 6% Red. Deb. 1989/94 £3 Eldridge, Pope & Co. 6 1/4% Irrd. Un. Ln. 23.125 Do. 7 1/2% Irrd. Un. Ln. £3.75 Republic of Finland 11 1/2% Ln. 2008 £287.5 First Spanish Inv. Tst. 1.15p Goode Durrant 3 1/2% Prf. 0.875p Govett Strategic Inv. Tst. 9 1/2% Deb. 2017 £4.9375 Halifax Bldg. Soc. Ftg. Rate Nts. 1997 Y150000 Do. 6.15% Nts. 1999 Y153750 Treasury 10% Ln. 1993 £5 Kawasaki Heavy Inds. 6% Nts. 1997 Y150000 Do. 6.15% Nts. 1999 Y153750 Lloyds 5.5p Manders Hedges 5.5% (3 1/2% net) Prt. 1.75p London Borough of Merton 11 1/4% Red. 2017 £5.625 Metropolitan Water Board Southwark & Vauxhall Water Co. 3% Deb. £1.5 Morgan (JP) 0.545

Motorola \$0.19 Needier £0.025 Occidental Petroleum Corp. \$0.25 Pacific Gas & Electric \$0.44 Pentos 0.7p Pittencrieff 3p Quaker Oats \$0.48 Richards 4% (2.8% net) Ptd. 1.4p Do. 5 1/2% (3.85% net) Ptd. 1.4375p Royal Tst. Government Securities Fd. Inc. Ptg. Red. Prf. 1.3p Smithkline Beecham A 2.075p Smithkline Beecham/ Smithkline Beckman Corp. \$0.05279 Treasury 10% Ln. 1993 £5 Wace 2.25p Weredeath Property Corp. 9 1/2% 1st Mtg. Deb. 2015 £4.75 Do. 10 1/4% 1st Mtg. Deb. 2015 £25.375 Morgan (JP) 0.545

■ FRIDAY OCTOBER 16 Anglo American Indl. Corp. R1.1 City of Swansea 13R% Red. 2006 £6.875 Crown Eye Glass 4p Evans Haishaw Hides. 3.6p Fleming O'sullivan Inv. Tst. 2.5p Genbel Inv. R.19 Helical Bar 2.4p Jones, Stroud Hldgs. 5p Kakuzi Ksh0.75 Kyushu Electric Power 10 1/4% Bds. 2001 CS102.50 Alfred McAlpine 3p Middle Witwatersrand (Western Areas) R0.05 Mori Seiki 5.65% Nts. 1996 Y155375 National Westminster Bank 9% Prf. Sars. A 4.5p Do. Prf. Sars. A 0.49875. Norish 4.47p Paribas 0.55p Scottish Value Tst. 1p State Bank of New South Wales 11 1/4% Nts. 1995 AS110 Treasury 2 1/2% IL 2.0535 YRM 2.35

■ SUNDAY OCTOBER 18 Province of Nova Scotia 11 1/4% Ln. 2019 £5.875

NORTHERN GREECE The FT proposes to publish survey on October 28 1992. This is the first time that the FT will be conducting a pan-Greek survey of an area which extends from the Aegean to the North Aegean and the southern borders of Albania, the former Yugoslavia and the western border of European Turkey. Professional investors in over 160 countries worldwide and Senior Chief Executives in Europe's largest companies* will see this special "Survey". This definitive compilation of Northern Greece, will be retained by influential FT readers for future reference. For details of the editorial scope and advertisement rates, contact:

Alex Kliroff
Jill Abbott
Tel: 01-571 3915
Fax: 01-571 9772
Conrad Davis
in London
Tel: 01-473 3514
Fax: 01-473 3428
Data source: *Chief Executives in Europe 1990

FT SURVEYS

OCTOBER 15
World Market for Consumer Catering
A series of presentations organised by leading market analyst Euromonitor, on this dynamic industry. Themes: Global Market Review; UK Focus; Worldwide Corporate Developments; Catering Trends in Spain; Researching the Industry. Contact: Michael Hartman, Euromonitor. Tel: 071-251 8024. LONDON

OCTOBER 16
Public and Private Sector Pay Public Finance Foundation conference in association with the Confederation of British Industry. Speakers: Robbie Gilbert, Director of Employment Affairs, CBI and Chris Trinder, Research Director, Public Finance Foundation, the research arm of Cipsa. Enquiries to Gill Maija. Tel: 071 895 8823 Ext. 255. Fax: 071 895 8825. LONDON

OCTOBER 18-22
Global Technology Transfer Chaired by Sir Geoffrey Parry MP and Mr Harry Wendi, Chairman of SmithKline Beecham; involving senior business leaders from international companies, leading European academics and top officials from European Patent agents. Contact: Lacinda Middleton, IBC Tel: 071-437 4383 Fax: 071-431 3214. LONDON

OCTOBER 19-23
African Business Show '92 A five day Conference and exhibition focusing on starting or developing a better business link with, and from Africa. Contact: Siphiwe, Exhibitors and Delegates are to be from governments, international organisations, business and industry. Enquiries: - Imaginekera International (Proposed) Tel: 071-739 8410 Fax: 071-739 8683. LONDON

OCTOBER 21
Taking Taurus Live A conference tackling the policy and implementation issues Taurus prepares to go live. Details: Events Dept. 071-93 0381. LONDON

OCTOBER 22
SAUDI ARABIA CBI Conference, supported by The Saudi British Bank and British Aerospace, considers the current opportunities for UK firms to expand business links with Saudi Arabia in the fields of import-export, joint ventures, investment projects etc. Contact: Nicki Case, CBI Conferences, Tel: 081 946 9100 Fax: 081 947 2700. LONDON

OCTOBER 26
Lead Bodies Department conference, considers the future agenda for lead bodies, their role and functions. The conference is designed for those involved in lead bodies, the standards field and introducing NVO's into the workplace. Contact: Sandra Aldred, CBI Conferences. Tel: 071 379 7400. LONDON

OCTOBER 27
KNOW YOUR JUNGLE Essentials of Computer Intelligence & Analysis. A practical one day seminar/workshop from the UK's No 1 specialist. Benefits: CI&A Action Plan; Targets, Sources, Methods. Practical case exercises. Successful case studies. Contact: Patricia Donaldson and other seminar dates too. EMP Intelligence Service. Tel: 071 379 7400. LONDON

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Steel works upgrading in Turkey

WALKER ENGINEERING of Telford, Shropshire, a subsidiary of Clayton, Son & Co (Holdings), the bulk storage design and build specialist, has won an order in excess of £11m to supply two gasholders for the Bregit iron and steel works in Turkey. The project is part of an ongoing programme to re-equip the plant to significantly increase capacity and conserve energy.

A feature of the gasholders will be the specialist equipment used for collecting and recycling gases to harness energy which is currently being wasted via flare stack burn-off. The scheme is designed to collect, boost and blend the gases, using two giant fans. This provides a mixture of a virtually constant calorific value for use in other plant facilities.

Mr John Landells, Walker's managing director, said: "The contract has been signed after the most rigorous analysis by the client of our ability to deliver a technologically advanced, energy-saving system. The payback period of just two years was also seen as critical."

London projects

ROOF has secured a further five contracts, ranging from six to 12 months, with a combined value of over £5.5m. The company is constructing nine flats at Pellatt Grove, N22, and a day centre at Stamford for Metropolitan Housing Trust; converting Furnival House, a hospital building at Colmey Park, N6, into 130 student flats for Duoview Properties; constructing 27 housing units for Community Housing Association at Camden Gardens, NW1; and undertaking external refurbishment work for the Peabody Trust.

Restoring historic landmarks



LAING STONEMASONRY has been awarded contracts for specialist masonry repairs at Durham Castle (above) and Berwick Old Bridge.

The castle project, awarded by Durham University, is phase two of a refurbishment programme and involves repairing and replacing eroded sections of the north terrace

wall. The Grade I listed building is designated a World Heritage Site and part of the £28.352 contract value is being paid by grants from the European Regional Development Fund. Work is due for completion at the end of January next year.

Northumberland County Council has awarded Laing Stonemasonry a £40,577 con-

tract to carry out the sixth phase of the restoration of the Berwick Old Bridge.

Built in 1224, it is believed to be one of the oldest bridges in the country and has a Grade I listing. The phase six repair, due for completion by the end of the year, will involve replacing six cu metres of stone on piers 10 and 11.

Scottish work for Barratt Construction

BARRATT CONSTRUCTION, the construction arm of Barratt Developments, has been awarded contracts worth in excess of £5m in Scotland.

The largest, worth £3.5m, is for a 125-bed hotel to be built at the Aberdeen Exhibition and Conference Centre for Protel (Aberdeen). In the same area, work will start shortly on a warehouse for C.K. Davie, and

an extension to Osprey Electronics premises at Campus 1, Science and Technology Park.

Also in Aberdeen, a contract has been awarded by Bookin District Council for the modernisation of 18 flats at Moray Road, Fraserburgh.

In central Scotland, a contract has been awarded for 15 flats at Loanning Road, Edinburgh by the Port of Leith Housing Association.

Further north at Port Henry, Peterhead, the company has started work on a box washing

plant for the Peterhead Harbour Trustees.

A further contract has been awarded by Banff and Buchan District Council for the modernisation of 18 flats at Moray Road, Fraserburgh.

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Portsmouth contractor wins £7m naval hq order

PORTRUSH MOUTH-based **WARINGS CONTRACTORS** has beaten national competition to win a £7m Ministry of Defence design and build contract for a new headquarters building inside Portsmouth's naval base to house the combined staffs of the Second Sea Lord and the Commander in Chief Naval Home Command.

The Second Sea Lord is moving to Portsmouth to be integrated with the Chief Naval Home Command as part of the general restructuring of the home town of Portsmouth.

Ministry of Defence, and the new 90,000 sq ft office complex will accommodate up to 520 staff.

Warings won the contract following a stringent evaluation of four contractors' submissions by the Ministry of Defence and its project managers. Mr Stuart Waring, Warings Group chairman, said: "We are delighted to have been chosen to build this truly impressive new headquarters for the Royal Navy, especially in our home town of Portsmouth."

Other contracts include major refurbishment works for the Victoria and Albert Museum and Imperial College and a £1m contract for work at Wormwood Scrubs prison

plant for the Peterhead Harbour Trustees.

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CONTRACTS & TENDERS

WESTERN

Health and Social Services Board
AN EQUAL OPPORTUNITY EMPLOYER

CATERING DOMESTIC AND LINEN SERVICES

The Western Health & Social Services Board, providing a comprehensive range of health care services to a catchment population of 262,500, wishes to develop a Select List of competent contractors who will be invited to tender for the provision of catering, domestic and linen services, either collectively in hotel service type contracts or on an individual service contract basis.

Linen service activity will primarily encompass the collection and distribution of linen articles within individual facilities, together with a limited amount of laundering of residents' clothing within some smaller residential facilities.

Currently, catering and domestic services across the Board's areas are organised within seven individual contracts. Three of these contracts are provided by commercial contractors, and represent over 50% of services with an overall contract value in excess of £5 million per annum.

Future contracts will continue to be based on a detailed specification of user requirements and, given the environment in which services operate, will reflect the highest standards of performance.

If your organisation has a high record of achievement, demonstrating technical, financial and managerial competency in these service areas and is interested in competing for this work, you are invited to express your interest in writing to:

The Manager
Hotel Services Contracts Bureau
Western Health & Social Services Board
Board Headquarters
15 Granby Road
Clevedon Road
Bathgate BT47 1TG

Following your expression of interest, a Select List application form requesting specific information about your Company's activities, experience and structure will be issued for Board evaluation purposes. A profile of the Western Board will also be issued for background information.

The fully completed Select List application form, together with relevant accompanying documents, must be returned to:

the Manager, Hotel Services Contracts Bureau

using a special return label which will be provided, by no later than 3.00 pm on 27 November 1992.

ENERGY EFFICIENCY

The FT proposes to publish this survey on:

November 17 1992.

The FT is read daily by 34% of Chief Executives in Europe's largest companies and nearly 27,000 UK businessmen who have decision making responsibility for fuels and energy.*

If you want to reach this important market place, please contact:

Bill Castle

Tel: 071-873 3760

Fax: 071-873 3062

for a full editorial synopsis and advertising rates.

Data source: Chief Executives in Europe 1990, BMRC 1990

FT SURVEYS

CUMBRIA

The FT proposes to publish this survey on October 16 1992.

The FT is the best read publication among senior European executives taking strategic decisions about international operations of their company as well as being best read among Europe's top chief executives.* For a full editorial synopsis and advertising details please contact:

Brian Heron
Tel: 061-834 9381
Fax: 061-832 9248
Alexandra Buildings
Queen Street
Manchester M2 5HT

Data source: EBRS 1991 & Chief Executives in Europe 1990

FT SURVEYS

U.K. WATER INDUSTRY

The FT proposes to publish this survey on November 4 1992.

The 10 water companies of England and Wales are committed to a £28 billion investment programme.

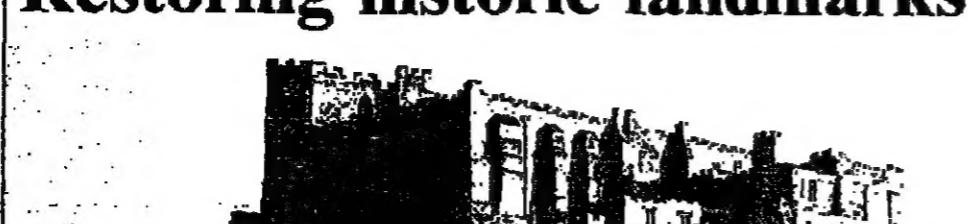
To discover what the FT is planning and how to reach our international audience of senior decision makers, influential financiers and government officials contact:

Clive Radford
Tel: 0272 292565
Fax: 0272 225974
Merchants House,
Wapping Road
Bristol, BS1 4RU

FT SURVEYS

BUILDING CONTRACTS

Restoring historic landmarks



PEOPLE

Langdon: at centre of water industry

Janet Langdon, who takes up her position as director of the Water Services Association this month, says one of the attractions of the job was that "I wanted to do something different - and water is so important in people's lives."

Langdon, 52, joins at a high-profile time for the WSA, which represents the 10 large publicly quoted water and sewerage companies in England and Wales.

The companies are engaged in a tough debate with Ofwat, their financial regulator, the National Rivers Authority, the

water standards watchdog, and the EC Environment Council about whether some water standards directives are unnecessarily and expensively high.

She will become director at the end of the month when the WSA's secretary, Michael Carney retires. Widely travelled in developing countries, she will spend the next few months crossing the UK to visit WSA members.

Langdon, who has lectured in chemistry at Wellesley College, Massachusetts, was previously director of the export

division of GEC Alsthom,

and has also worked at Shell,

the National Economic Development Office and Distillers.

She says "One of my hobby-horses has been government-industry relations"; while at Shell she was seconded to the DfT.

Three years down the privatisation road the companies are increasingly diverging in investment and financing plans. She says "obviously you are not going to get a consensus, coming from the private sector I look on them as independent companies".

WOODROW. Rudolph Kalvels has been appointed director of corporate development and Peter Maxson director of human resources at BOWATER.

John Amos has been appointed director and general manager of LMG Thermoplastics, part of LAWSON MARDON GROUP.

Peter Royer-Collard has been appointed to the board of NEOTRONICS TECHNOLOGY.

Tim Ward, formerly European director, personal sector with Barclays Bank where he was responsible for Barclays' personal banking strategy on the continent, has joined NATIONAL BREAKDOWN RECOVERY CLUB as md; he succeeds Ernest Smith, who became md of National Breakdown's parent, Green Flag, and chairman of National Breakdown in July.

Midland board shuffle

Now that MIDLAND BANK is a subsidiary of the Hongkong & Shanghai Banking Group, its board is beginning to contract to fit along familiar lines in wholly-owned companies.

Three non-executives - Sir Peter Leslie, deputy chairman, and Sir Eric Fountain - left the Midland board last week. Sir Peter is to be replaced as deputy chairman by Geoffrey Maitland Smith (left), chairman of Sears, and a Midland director since 1986. Charles Mackay (right), chief executive of Inchcape, joins the board as non-executive director on November 12.

The most significant appointment, however, is that of John Strickland, executive director of HSBC Holdings and the head of information technology in the group, as mid of Midland.

His place on the board will presumably help him to carry out his pledge to integrate Midland's systems with those of its new parent group over the next five years, cutting costs and staff while making a drastic improvement in operating efficiency.

Margaret Prosser has been appointed national organiser of Britain's biggest union, the TGWU. She is the most senior to be held by a woman in that union and involves working with the general secretary on recruitment and organisation.

Prosser's new job means challenging the seemingly inevitable decline of trade union membership, but her experience as the TGWU's national women's secretary in the heartland of entrenched male attitudes should stand her in good stead.

Prosser, now 55, won a place at a private convent but at 15

left without qualifications to work in various offices. She had an early indication of the potential value of women's work when she found her wages as an accounting machine operator outstripped those of her labourer father.

Her working life was set back when in 1962 her husband Joe became paralysed. She nursed him for eight years while caring for three children.

Enforced experience of life on the welfare system led her to activism in the Child Poverty Action Group and from there to part-time working for an advice centre from which she completed a postgraduate diploma course in advice and

information studies at North East London Polytechnic.

She gravitated to heading the Southwark law project, which she helped found and in 1983 began working for the TGWU as a local official.

Colleagues say she is down-to-earth, effective and unimpressed by her own status.

She cites just one "shouting match" in the eight years she has worked at the TGWU's head office in London.

She is a stalwart member of the left-leaning walking group, the Red Ramblers: "Some call us pink, but I won't have it," she says. She is also an opera enthusiast, as is her taxi-driving son-in-law.

Information

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East London Polytechnic.

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in

MANAGEMENT

When the gospel of "globalisation" first gripped western companies in the middle and late-1980s, many reacted crudely, as if national differences in markets and strategy suddenly mattered no longer.

It has taken them several years to realise that there is no single "correct" balance between global, regional and local strategies. Unlike most Japanese companies, they have found it hard to come to terms with the fact that the ideal mix varies not only across industries, but also inside them: between different businesses, product lines and even individual products within the same line. It also changes over time.

Some companies have still not got that message about their strategies. So it is not surprising that many of the laggards – plus some which should know better – are now making a similar mistake over the sort of organisational changes they need to achieve their global strategies.

The necessary changes include the re-design of structures, procedures, management career paths and, in most cases, the very tricky matter of organisational culture.

On the structural front, the key internal question – as distinct from external ones such as how to manage alliances – has been how best to alter the roles, and power balance, between three types of executive: global business (or "divisional") managers; national (or "country") managers; and functional (such as production) managers.

As far as career paths and culture are concerned, the much-hyped question for most companies over the last few years has been how to breed "global managers", or at least executives with what has become known in academic and consultancy jargon as a "global mindset". Underlying both questions has been the universal need to streamline (or abandon) messy matrix structures in which power was shared – or, more often, fought over – between divisional, national and functional managers. In most multinationals, this traditional arrangement slowed decision-making and sustained (or created) whole tiers of costly head office jobs – both at the corporate centre and in each business. In today's competitive international environment, greater speed, leanness and cost-effectiveness are essential.

As a result, most companies which want to "go global" are swinging the balance of managerial power firmly towards the global divisional (or business) manager, and away from the national and functional managers. At ICI, Britain's leading chemicals group, and countless other companies, the divisions have been declared

Christopher Lorenz explains how the new breed of managers can come to terms with a confusing world

Global executives walk a tightrope



"prime". Once-mighty national managers have lost much of their power, as have – to varying degrees – the functional managers.

Where a company makes standard, commodity products which really are global, or speciality items where the demands of customers vary only slightly between countries or regions, a stark arrangement of this kind may be sensible. But in most cases such an all-out drive for global efficiency takes too little account of the need to retain responsiveness to national differences, or even to increase it. The "global first" approach also underplays the need to transfer skills and learning between national and product markets.

But how can one accomplish both these things without recreating a ponderous formal matrix, or – in the words of a now fashionable refrain within multinationals – restraining almost every manager to "think global, but act local"?

The answer is to do neither, according to two of the most influential academics in the field of international organisation, Christopher Bartlett and Sumantra Ghoshal. Nor is it to relegate once-star country managers and functional executives to bit-parts.

Instead, the answer is twofold, they argue in the latest issue of the Harvard Business Review:

- to get away from the idea that there can be any such thing as a universal "global manager", and instead to breed specialists of all three types: country; functional; and global business (or divisional).
- and to confine to the upper part of the organisation most of the com-

plexities and internal conflicts of balancing global, regional and local requirements. While top managers and some senior executives should operate in a sort of matrix – or preferably in a more flexible "network" – those lower down should have clear, single-line, responsibilities, performance measurements and reporting relationships.

One benefit of this arrangement, say the academics, is that most companies will need relatively few really "transnational" managers to implement their cross-border strategies. This is an important consideration since people with the necessary qualities are in short supply.

Floris Malles, the co-chairman of Unilever, says it is this shortage, rather than one of capital or any other resource, which has become the biggest constraint in most

efforts at globalisation. Malles has an article in the same issue of HBR about his company's experience.

Outlining the roles and characteristics of their three types of "global manager", Bartlett and Ghoshal draw on the experience of executives in various companies, especially Electrolux, NEC, and Procter & Gamble, as well as Unilever.

The academics say there are three roles at the heart of a global business manager's job: strategist for his or her organisation; architect of its worldwide "asset and resource configuration"; and co-ordinator of international transactions.

Country managers, by contrast, "play the pivotal role not only in meeting local customer needs, but also in satisfying the host government's requirements and defending their company's market positions against local and external competitors". In other words, country managers should be much more than the ambassadorial cipher to which many have been reduced.

Even more than country managers, functional executives have sunk to bit-part status in many multinationals. The academics use graphic language to describe the waste involved: "relegated to support-staff roles, excluded from important meetings, and even dismissed as unnecessary overhead, functional managers are often given little chance to participate in, let alone contribute to, the global activity of the corporate mainstream. In some cases, top management has allowed staff functions to become a warehouse for corporate misfits or a graveyard for managerial has-beens."

"Yet, at a time when information, knowledge and expertise have become ever more specialised, an organisation can gain huge benefits by linking its technical, manufacturing, marketing, human resources, and financial experts worldwide". In sophisticated transnationals, senior functional executives serve as linchpins in the process of worldwide learning, connecting their areas of specialisation throughout the organisation.

Bartlett and Ghoshal advocate some rotation between their three types of global specialist, whether through long-term appointments or membership of temporary teams and task forces. Unilever does both. The academics underplay the need for the relative power of the three types of manager to vary by industry, business and product line. But otherwise they provide invaluable advice on how to perform the ultimate organisational balancing act: reaping the benefits of global scale without losing innovation sparked by national differences – both in the marketplace and within the company.

* HBR Sept-Oct reprint 92502 Fax (USA) 617-495-5295.

Accident prevention at a premium for local councils

By Richard Lapper

Every time a pedestrian has tripped over an uneven paving stone, Britain's local authorities have been used to passing on claims for twisted ankles to their insurance company. In most cases, that has been Municipal Mutual.

The multitude of claims, plus an epidemic of burning schools and a potential wave of claims from former residents of children's homes, is currently threatening the very survival of MMU. Last week it abruptly withdrew from the market, leaving some councils with no option but to close facilities to the public.

The immediate problem of councils' lack of cover has been overcome: other insurers have stepped in, but at a price. Councils are not only having to pay higher premiums, they are also being forced to change their approach to risk.

Risk management programmes, which include the installation of safety equipment and tighter operational management designed to reduce small claims, are common in industry and have already been adopted by some larger councils.

According to Ken Kennedy, risk and facilities manager at Surrey County Council, more local authorities may be forced to follow suit. "Risk management will be a 'lever' which local authorities can use to negotiate lower insurance rates," says Kennedy, who chairs the recently-formed Association of Local Authority Risk Managers.

"Funding risks through insurance alone just isn't an option any more," says Terry Sparkes, chairman of the Institute of Risk Management.

MMU insured 90 per cent of Britain's district, county and metropolitan councils, covering their buildings, vehicles and liabilities to employees and the public. The relationship was mutually convenient. Local authorities were highly loyal customers. Until relatively recently, MMU placed little demand on the councils to control their losses, offering comprehensive cover relatively cheaply.

Insurance companies stepping into the breach created by MMU's demise are likely to make much more demand on councils to control their risks and limit claims. "The first question insurance companies

are going to ask local councils is 'what is your risk management strategy?'" says Kennedy.

Bigger county and metropolitan authorities – which spend between £5m and £10m annually on insurance premiums – are meeting claims of under £100,000 from their own resources and deploying risk management techniques to reduce the likelihood of claims.

Risk managers point to successes in a number of authorities. In Nottinghamshire losses from arson which grew sharply in the late 1980s, totalling £1.6m in 1989, have fallen since risk manager Bill Sulman introduced a prevention scheme in 1991. Sulman has spent £500,000 on security measures – better fencing, alarm systems and lighting – at vulnerable schools in inner city Nottingham.

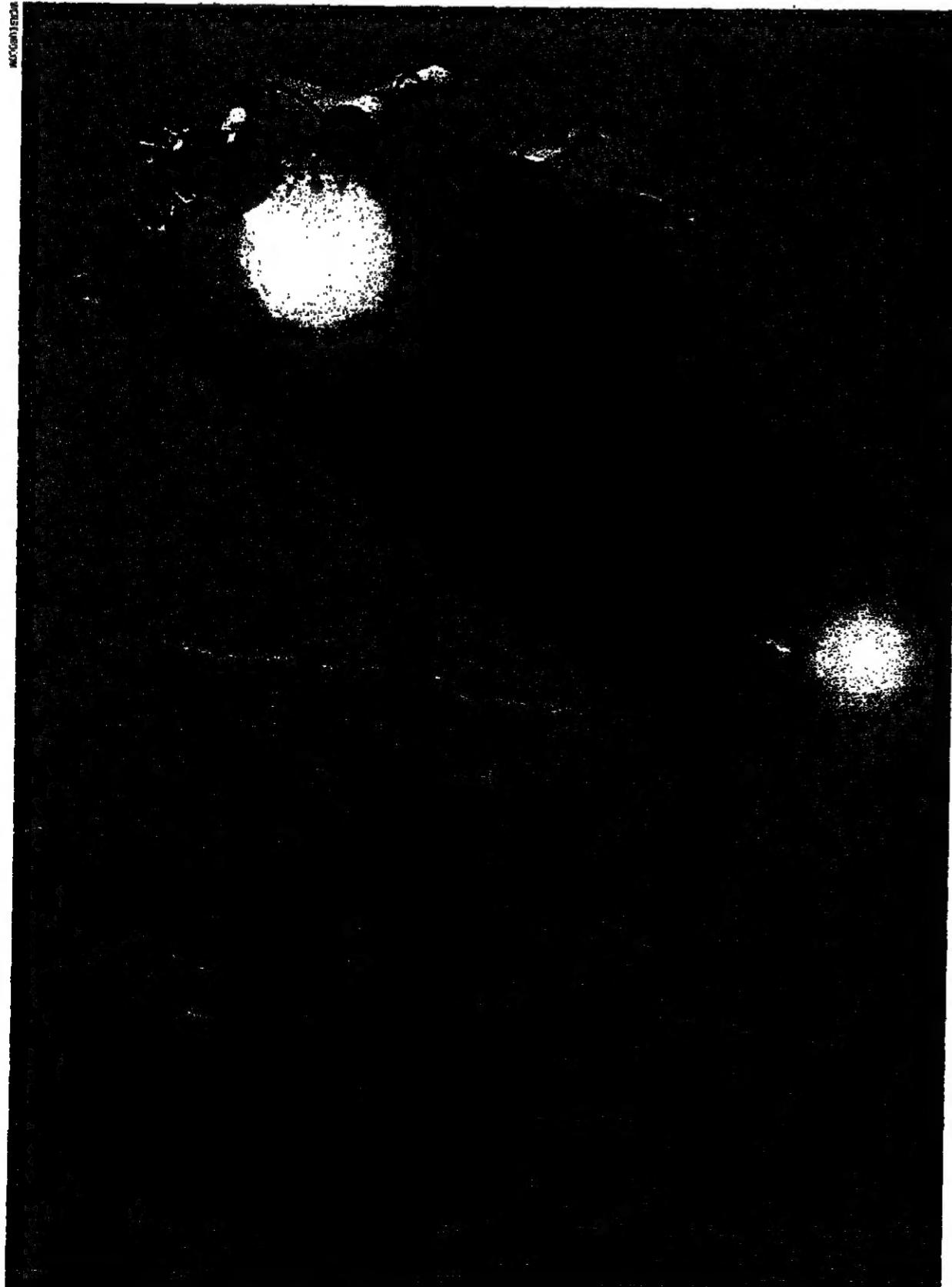
Cheshire County Council, which has also been badly hit by arson in its schools, has just completed fitting sprinklers to the Park Primary School in Runcorn, one of a number of schools to be set on fire last year.

Both Cheshire and Nottingham are also taking measures to reduce a steady trickle of small claims from local authority employees who have suffered back injuries and members of the public who have suffered accidents because of badly maintained roads.

David Bull, a risk manager who doubles as Cheshire's legal officer, says that under new insurance arrangements negotiated recently, the authority must meet the cost of most small claims itself, providing an incentive for managers to stop accidents happening.

"We are trying to end the tyranny of small claims which take up so much time. The handling of the claims can simply bleed the organisation of resources," he says. "We're getting people to think much more about the risks to which they are exposed. Accidents at work can be stopped by relatively minor changes."

Sulman warns that claims from people who have suffered from abuse when they were children in council-controlled homes, have risen sharply recently. Victims of the "pin-down" disciplinary regime, for example, recently won settlements of £2m in Staffordshire.



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OUR DEDICATION GOES FURTHER

ARTS GUIDE

ARTS



A glass-canopied bus stand, pedestrian square and office blocks are planned for outside Victoria station

Architecture/Colin Amery

A misjudged vision

THE best kind of architecture is appropriate architecture. But what is "appropriate"? The word means fit, expedient, apt, suitable and belonging in its proper place. Propriety comes into it too – a sense of things being commensurate one with another. What seems to worry so many people about large out-of-scale and often brutal contemporary buildings is that they exhibit bad manners and do not make much effort to settle down appropriately with their neighbours.

These thoughts were prompted by the display and publication of an exhibition of proposals for the long overdue improvement of the forecourt of London's Victoria Station.

To me the model of these proposals is a demonstration of inappropriateness.

They are the work of Britain's excellent establishment modern architect, Michael Hopkins. Mr Hopkins has designed two office buildings to replace the present huddle of low and indifferent buildings on Victoria Street. The two buildings are the chief ingredients of a scheme that is intended to pay for the re-

organisation of the tube station, the new glass canopied bus stand and the pedestrian square in front of the listed station facade.

Clearly the cost of all this necessary sorting out of the interchange is high and that must be the reason for the 22-storey office tower that will "release the maximum area of land for the transport interchange and public spaces".

About the last thing Victoria needs is another office block.

What is seen here is an accountants' exercise on how to pay for transport improvements at a time when there is not enough public funding. It is a technique that worked at Liverpool Street – but at Broadgate it was possible to think on a much bigger scale at a time when the building of offices actually made money.

The tower at Victoria will, like all of Mr Hopkins' buildings, have a certain cool elegance although its stepped profile unfailingly reminds me of the Trump Tower on New York's Fifth Avenue. I doubt whether it will have the raz-

extension to the Houses of Parliament with the new Westminster underground station that is yet to be built. I am particularly looking forward to the new Opera House Michael Hopkins has designed at Glyndebourne which will open in 1994.

For Victoria, I can see the virtue of employing Mr Hopkins – an architect who has done what his clients asked him to do. But the underlying commercial thesis is wrong and has been forced upon London by the dire political and economic climate. Westminster City Council should put these proposals on ice for a while.

There can be no call for more offices, which would overshadow Victoria station and do little for the area. Pragmatism has its place in life but London and Londoners deserve a bit more vision at Victoria – not another inappropriate commercial compromise.

The public can judge the plans for themselves at the exhibition which is on the station forecourt behind the bus station until October 23rd. Open Monday to Friday, 7.30am to 6.30pm.

Theatre/Andrew St George

House in good order

Garcia Lorca was killed on 19 August, 1936, by the fascist paramilitary Black Squad. He was 33. He had finished writing *La Casa de Bernarda Alba* that June, concluding the folk trilogy he began in 1933 with *Bodas de sangre* and which he continued with *Yerma* in 1934; *Bernarda Alba* was first performed in Madrid in 1945.

The Gate Theatre, Notting Hill, has staged a tense, powerful production, using Matthew Banks' shrewd translation of Lorca's all-women play. The small theatre refashions the catastrophe of Lorca's *mis en scene: a hacienda*, walls dark in the midday heat, shafts of light striking into the gloom.

To start, the house of Alba is in black, mourning for Bernarda's husband. Bernarda has a social station to maintain. Five daughters to marry. She tyrannises them: "I have to fight tooth and nail to keep them tame and decent." Inside, the daughters sew, plait, sing mourn outside, men pass by, singing, working: "needle and thread for the women, mule and whip for the men." According to custom, Bernarda's oldest becomes betrothed; but the man loves the youngest daughter, Adela. The middle daughter, Martirio, envies both.

Outside swirls a violent, medieval world, with demands of fealty to church and society. A woman is stoned for bearing an illegitimate child. Everything out there

proves Bernarda right in protecting her daughters as she does. She may appear to be a conduit for men's violence and sexuality rolling down the generations to swamp her daughters; but her viciousness is also her own. The unspoken issue is the oppression of women by men, and of women by each other. This speaks to the 1990s: for as gender becomes sex, great oppression is now gathering in the name of equality.

Katie Mitchell's intelligent, emphatic direction allows the play to express itself metaphorically. It speaks of marriage, sexuality, and the constraints and commitments of community. Bernarda's house, isolated and xenophobic, is 1930s Spain, run on violence and tyranny. The malaise of the daughters suggests the deeper waste in Spanish society. The sexuality which smashes the social bonds hints at Lorca's own homosexuality.

Dinah Stabb as Bernarda, Alexandra Gilbreath as Adela, and Kristin Hewson as Martirio act with great tact and assurance, and provide the play's hard core. Ben Livingstone (music) should have chosen something more Iberian-Catholic than Bach's St Matthew Passion to punctuate the acts.

La Casa de Bernarda Alba, Gate Theatre, Notting Hill, (071 229 5387)

Dinah Stabb

Andrew St George

a new production of *Ghetto*, a controversial 1984 play in which Israeli author Joshua Sobol depicts the efforts of Jews to preserve their cultural identity in wartime Germany. First night on Wed (2082 783). Peter Ustinov gives a one-man show tomorrow at Schiller Theater (3128 505).

Schlosspark Theater has a new production of Dürrenmatt's *The Visit* directed by Alfred Kirchner, opening on Sun (7931 515). Deutsches Theater has Thomas Langhoff's Vienna Festival production of Hofmannsthal's political tragedy *The Tower* (2871 225). The Schaubühne has *The Lonely Road*, Arthur Schnitzler's portrait of late 19th century Viennese society (890023).

MUSIC

Philharmonic On Wed, Fri and Sun, Claudio Abbado conducts Berlin Philharmonic Orchestra and Radio Chorus in semi-staged performances of Rossini's II viaggio a Reims, with an all-star cast including Samuel Ramey, Ruggero Raimondi and Cheryl Studer (2548 8232).

Schauspielhaus Milan Horvat conducts Berlin Radio Orchestra and Chorus tonight in works by Falla, Chavez and Beethoven. Sat, Sun afternoon and Mon: Hermann Prey sings German Lieder. Sun evening: Gary Bertini conducts works by Brahms and Berlioz, with piano soloist Rudolf Buchbinder (2090 2156).

OPERA/BALLET

Deutsche Oper Tomorrow: Tosca. Wed: Stravinsky ballet evening with choreographies by

Balanchine and Bejart. Thurs: Die Zauberflöte. Fri: Rigoletto. Sat: Béjart's Ring Round the Ring. Sun: Tannhäuser with René Kollo (also Oct 25). Oct 20, 23: Le nozze di Figaro with Marie McLaughlin and Lucio Gallo (3410 249).

Staatsoper unter den Linden On Thurs and Sat, René Jacobs conducts Graun's Cleopatra e Cesare, the opera which opened the Staatsoper 250 years ago.

Fri: Ariadne auf Naxos with Reiner Goldberg as Bacchus. Sun: Nurseyev production of Sleeping Beauty. Oct 25: Daniel Barenboim conducts first night of Harry Kupfer's new production of Parsifal (2004 762).

Komische Oper This week's performances begin on Thurs with Die Zauberflöte. Fri:

Rigoletto. Sat: Henze's ballet Undine. Sun: Le nozze di Figaro (2292 555).

MILAN

Teatro alla Scala presents Cristoforo Colombo, choreography by Alberto Mendez, music by Donizetti, Daily except Sun and Mon till Oct 22. Next Mon: St Petersburg Philharmonic Orchestra. Oct 25: Cecilia Bartoli recital. Oct 27-31: Nutcracker (7200 3744).

NEW YORK

OPERA The world premiere of Philip Glass' new Columbus opera The Voyage, with a libretto by David Henry Hwang, takes place tonight

at the Metropolitan Opera. Bruce Fifer conducts a staging by David Pountney, designed by Robert Israel, and the cast includes Tatiana Troyanos and Patricia Schuman. Further performances on Oct 16, 21, 24, 28. This week's repertory also includes Madama Butterfly, Falstaff and Un ballo in maschera. Next Mon: Tosca with Luciano Pavarotti, repeated on Oct 24, 27, 31 and Nov 4 (362 6000).

CONCERTS

Tonight at 20.00 in Carnegie Hall, Rafael Frühbeck de Burgos conducts the National Orchestra of Spain in works by Turian, Albéniz, Falla and Ravel. Fri: Heinz Holliger is oboe soloist with Camerata Bern. Sat and Sun: Charles Dutoit conducts Montreal Symphony Orchestra, with Cecilia Bartoli (Sat) and Shlomo Mintz (Sun). Oct 19 and 21: Riccardo Muti conducts Verdi's Requiem (247 7800). Erich Leinsdorf conducts the New York Philharmonic Orchestra in a Stravinsky programme tomorrow at Avery Fisher Hall. Wed: Lincoln Center Jazz Orchestra. Thurs, Fri afternoon, Sat and next Tues: Garrick Ohlsson plays Grieg's Piano Concerto. Oct 22, 23, 24, 27: Maser conducts Beethoven. Oct 28: Roger Norrington conducts the Orchestra of St Luke's (875 5030).

DANCE

Martha Graham Dance Company can be seen at City Center daily from tomorrow till Sun, followed by Paul Taylor Dance Company.

Magnificent Porgy moves into the light

Opera



Cynthia Haymon and Willard White

This magnificent production, one of the most valuable and meaningful in 20th-century British opera, arrives in London to set the seal on what has already been, by and large, a year of splendid Royal Opera achievement. It started life in 1986, at Glyndebourne. There, as the first British opera-house staging of Gershwin's opera, it proved a milestone in the history of the work – a work always highly popular since its first showing but not always equivalently highly rated.

At Glyndebourne – in a Trevor Nunn production conducted by Simon Rattle, designed by John Gunter (sets) and Sue Blane (costumes), and with a cast of supertatively fine singing-actors led by Willard White and Cynthia Haymon – *Porgy and Bess* finally threw off the shackles of its folk-opera, enlarged-musical or what-have-you status.

As it is today, Victoria station provides a great sense of anti-climax when you arrive there, especially if you have just been whisked in high-speed comfort from Gatwick airport. It is not the station itself but the bizarre and extraordinary muddle that is presented to the arriving passenger. There are taxis, buses and a complicated tube station that seems to promise dirt and danger rather than an easy and elegant entrance to London.

The redevelopment proposals are from a joint venture put together by Greyston Estates and London Transport. They replace a scheme that was prepared for the same site by the American architects Skidmore Owings and Merrill.

Mr Hopkins is a good modern architect. In London, as well as the modernisation of Lord's cricket ground, Mr Hopkins was responsible for the conversion of Bracken House, former home of the Financial Times, and the interior design of this newspaper's new editorial offices at Southwark Bridge. He has designed the

extension to the Houses of Parliament with the new Westminster underground station that is yet to be built. I am particularly looking forward to the new Opera House Michael Hopkins has designed at Glyndebourne which will open in 1994.

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Now the production is re-created at Covent Garden – with Nunn and most of the original principals back at their stations, but with Andrew Litton replacing Rattle as conductor. More often than not, deprived of the circumstances that brought them to birth, productions borrowed turn out to be productions diluted in their vision. This one is different. It positively demanded to be seen and heard outside the Glyndebourne hothouse; it badly needed to be given again before a wider audience (which the large number of Covent Garden performances, including two sponsored for "non-typical" visitors to the house, plus a promised video recording thereafter, will make more possible).

As Friday's performance made plain, the production has indeed been re-created, not simply reproduced. People with still-vivid memories of the Glyndebourne experience may feel, as I do, that the much larger London theatre reduces the sense of engulfment, of being sucked into an operatic world so richly stocked in melody, word and action that it was a cruel come-down to have to leave the theatre at all. (The storm prayers, though still vibrantly sung by the special *Porgy* chorus, fail to lift the roof off as they did in Sussex.)

The length of the work and its episodic detailing seem to weigh rather more heavily in its later stages – but no doubt this is a direct result of the Royal Opera decision, badly ill-advised as it turns out to break the three-act structure into two cumbersomely long halves separated by a single interval.

On the other hand, the larger theatre gives air to Gershwin's heavily padded scoring, and renders voices with voices

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Max Loppert

(*Porgy and Bess*, Royal Opera, Covent Garden: in repertory until November 11)

Tosca's careful brutality

Welsh National Opera's *Tosca*, directed by Michael Blakemore and conducted by Carlo Rizzi, is the company's second new production of the season. It is a carefully worked, thoughtful staging, well presented musically, and in style and approach light years away from WNO's recent *Elektra*.

The essence of Blakemore's approach to his first opera is faithful historical realism. In one sense it is almost super-real, as Ashley Martin Davis' sets are dominated by vivid, larger-than-life icons. The torso of a gigantic figure of Christ and the hand of a huge Madonna menace the interior of Sant'Andrea della Valle in the first act, in which the Mary Magdalene in Cavaradossi's painting is shown baring her breast. Scarpia's apartment sports a statue of Bacchus, while the battlements of Act 3 are capped by a massive, swooping angel, avenging sword in hand.

Menace and oppression are omnipresent in this production, mingled with suffocating religiosity. Violence is ever visible. When a republican sympathiser rises to show the flag during the splendidly staged Te Deum at the end of the first act he is brutally clubbed to the floor; before Cavaradossi there really would have been a teasing polarity. During the tour of the production there will be two Cavaradossi and no less than four Toscas; Dennis O'Neill should

have sung at Saturday's opening but was injured and replaced by Maurizio Saltarin. He made a plausible Italianate sound but hardly began to phrase meaningfully, breaking lines and taking breaths wherever he saw fit and bringing no life to the role whatsoever.

His *Tosca* this time was Suzanne Murphy (the other members of the quartet will be Marion Verette Moore, Christine Bunning and Anne Heath-Welch). Murphy is a tried and trusted Puccini singer in Wales and utterly dependable here, never vocally thrilling but cutting a splendid figure. If her duets with Saltarin barely reached blood heat it was not her fault but that of Rizzi, who conducted a beautifully buoyant account of the score, full of airy textures and athletic rhythms. The intensity of the drama was never to be doubted.

Andrew Clements

Tosca, WNO, New Theatre, Cardiff; touring to Oxford, Bristol, Swansea, Birmingham, Liverpool, Southampton

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FT Business Weekly – global business report with James Bellini

0710-0730, 1240-1300 (Wed) FT Media Europe

0710-0730, 1240-1300 (Fri) FT Eastern Europe Report

Sky News 2030-2100, 2230-2300 FT Business Weekly

SATURDAY

CNN 0600-0630, 1900-1930 World Business This Week – a joint FT/CNN production

Super Channel 0630-0800 FT Business Weekly

Sky News 1130-1200, 1730-1800 FT Media Europe

SUNDAY

CNN 1830-1900, 1800-1830 World Business This Week

Super Channel 1830-1900 FT Business Weekly

Sky News 1830-1900, 1900-1930 FT Media Europe

1930-2100 FT Business Weekly

1930-2100 FT Media Weekly

1930-2100 FT Business Weekly

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Monday October 12 1992

Bundesbank's waiting game

THE BUNDES BANK has emerged from the foreign exchange turbulence of the past month with its international credibility fully restored. Sterling, the French franc and any other pretenders to the D-Mark's anti-inflationary throne have been put firmly in their place. But at home, the Bundesbank's position is far less comfortable. Until Mr Helmut Kohl's solidarity talks bear tangible fruit, the Bundesbank must remain unfriendly. Official German interest rates have now been too high for too long. But they may have to remain high for a while longer.

The Bundesbank has performed its foreign exchange balancing act with great skill. It has kept official interest rates high offering only a modest cut in the discount rate which has been more than offset by a trade-weighted appreciation of the D-Mark. But heavy intervention to support the franc has caused short-term money market interest rates to fall by almost a full percentage point since their August peak, allowing a number of European countries to cut their interest rates too.

Blunt instrument

Yet Germany's domestic imbalances are more than the Bundesbank's artistry can handle alone. Loose fiscal policy continues to stoke up domestic inflationary pressure outside the traded goods sector. But monetary policy is proving to be a very blunt instrument with which to deal with this service sector inflation. The rapid growth of the distorted broad money aggregates only confirms the resilience of publicly subsidised spending and investment to high interest rates.

The Bundesbank may choose to ignore this broad money overshoot but it cannot ignore the underlying inflationary pressure. Private service output grew by 5 per cent in the year to the second

DANISH dilemma

IN SEEKING to resolve the conundrum left by its rejection of the Maastricht treaty in June, Denmark seems to have taken the advice of a celebrated former counsellor at the Danish court. The adage of Shakespeare's Polonius - "Give every man thy ear, but few thy voice; take each man's censure, but reserve thy judgement" - runs through the 251 pages of the long-awaited white paper published in Copenhagen on Friday.

The document assembles a list of eight options for Denmark's relationship with the EC. Yet it pointedly fails to give any recommendation on the course the country will actually take. That will be worked out in negotiations both with the Danish opposition parties, and with the other 11 EC partners - a procedure aiming to find a compromise capable of being approved in a new Danish referendum next year.

Some of Denmark's objections to Maastricht - for instance, its request for clearer definition of how the "subsidiarity" principle will be applied - seem likely to end up as welcome additions to the treaty. Other points, however, if appended as riders effective for all EC members, could end up making the document more rather than less opaque in both its political aims and its areas of practical application. Denmark already has what amounts to an "opt-out" clause on economic and monetary union. Under the deal last December, the third stage of EMU would not come into force for Denmark unless it was agreed in a separate referendum.

Denmark now wants additional safeguards to prevent it from being press-ganged into a future European defence community, as well as to avoid lowering its high

Sunday trading

LAST WEEK'S announcement that the government will bring forward proposals to reform the Sunday trading laws is welcome, if long overdue. Every week, millions of consumers vote with their feet for the convenience of Sunday trading. Many of the stores which oblige them to do so, while the rest of the government blames confusion over a possible clash between the Shops Act and the Treaty of Rome for inaction. Now the government says that it will frame new legislation, with measures to protect the rights of shopworkers who do not wish to work on Sundays. The latter will do much to ease opposition from those who feared that shopworkers would be dragged into Sunday working against their desire or principles.

However, there is still no clarity over the form of the new legislation. A menu of options will be put before parliament to find a

Subsidiarity is an unlovely word of uncertain meaning. Yet virtually all EC leaders profess to believe it contains magic potent enough to bring European integration out of arguably the worst crisis of confidence it has faced.

But when European Commission president Jacques Delors, as much as his erstwhile foe Lady Thatcher, President François Mitterrand of France, no less than UK prime minister John Major, all discern extraordinary properties in subsidiarity, there is a *prima facie* case for wondering whether it is more snake oil than silver bullet.

Although subsidiarity in essence means that the EC should act only when measures taken nationally or locally would be ineffectual, it is being sold as an all-purpose remedy:

- To recapture Danish voters' support for Maastricht, which they narrowly rejected in June;
- To persuade Europhobes in the UK that national governments will be - as British foreign secretary Douglas Hurd put it last week - "firmly in the driving seat" in the European Union blueprinted by Maastricht;
- To clip the wings of the Commission in Brussels, which has been demonised as a Eurocracy hungry for power and out of control;
- To proclaim that EC decisions will be brought closer to the people - although this impression is frequently given by coining the principle of subsidiarity with the more subversive ideas of open decision-making and strengthened democratic accountability. And is not clear how democracy is on offer.

Yet the Bundesbank cannot move unless there is an offsetting tightening of fiscal policy and evidence that wage demands will moderate over the coming year. Veiled promises of compromises to come are not enough.

The rest of the German political establishment must shoulder its share of the burden. Mr Kohl must propose higher and more progressive income taxes to close the fiscal deficit. The unions must agree to zero real wage growth in west Germany based on an inflation rate next year of no more than 3 per cent. The employers, with union agreement, must scrap the misguided plan for wage convergence between the eastern and western länder.

Only then will the Bundesbank be right to yield. For now it has no choice but to leave the discount and Lombard rates unchanged, however unpopular both in Germany and in Europe. Germany's European partners already have good reason to feel aggrieved. But they should address their complaints to Bonn.

Most EC governments, however,

facing a backlash against "Europe" at home, have reached for the easiest scapegoat - the Commission in Brussels. While understandable, and not altogether unmerited, this is disingenuous.

The Commission is peopled by true believers. A senior official admits it has "tended to conduct itself like a commando operation". Like most bureaucracies it has stretched its powers. But it has not usurped them.

The EC's basic power mechanism is that the Commission, nominated by member governments, proposes, the directly-elected European Parliament advises and can sometimes amend, but only the Council of Ministers - the elected, national ministers of the 12 - can decide EC law.

Most EC measures are taken at

EC members are pinning their hopes on subsidiarity to calm fears about European integration, writes David Gardner

Pandora's box or a panacea



the behest of member states, even though the Commission has sole right to propose. This monopoly right bestows power but also vulnerability. Governments regularly pass the buck to "Brussels" for unpopular or misfired measures, and evade opprobrium for suggestions they make, which if they came from the Commission, would be seen as interference. In the last year for instance, the Commission has twice refused Council invitations to formulate an EC dietary policy - an idea at least as intrusive as the apocryphal Euro-condom Brussels supposedly advocated.

Some governments agitate for measures their partners regard as intrusive. The UK, a leading beligerent for subsidiarity, wants strict enforcement of EC competition rules which frustrate French efforts to operate an industrial policy. The British government has had bruising encounters with Brussels on EC environment regulations, but still wants an EC inspectorate to ensure countries like Italy and Portugal observe the rules.

Denmark, for its part, fears EC environmental policy might dilute its high green standards, and wants it strengthened.

The outlook could be worse, para-

doxically, for regional and social

policy, two rare areas in which the EC party practises the "bottom-up"

approach subsidiarity supposedly calls for. EC regional funding in backward and industrially stricken areas elicits decision-making and initiative by regional and even municipal governments, which put forward the projects and help finance them. This has irked national governments in the UK and even federal Germany, because the Commission is to an extent bypassing them. As main budgetary contributors to this EC spending, the biggest after agriculture, they increasingly question its validity.

But a much more fundamental issue was raised by last month's attempt by the most powerful member states, Germany, the UK and France, to dilute the Commission's sole right to propose. As ambassadors of the 12 worked out how subsidiarity could be applied, these "big three" pushed for a formula whereby the Commission would have to submit its proposals to member states for scrutiny at the draft stage.

Their nine partners - even the discreet minutes of these meetings show - saw this as a naked power-grab. Given that subsidiarity is partly a sop to the Danes, it was ironically the smaller countries which were particularly concerned: their bigger partners would get a lockhold on the Commission, and tilt legislation in their favour. The fear is that Brussels would have to clear its ideas with the big countries because they hold nearly two-thirds of Council votes.

"The smaller countries rely on us to defend their interests," said one senior Commission official. "Without a Commission which performs, their stake in Europe is devalued."

The ambassadors' compromise, likely to go to Birmingham, is that any state can object to Brussels' proposals by invoking subsidiarity, but would need the support of six of its partners to block them. This would "force the Commission to think twice before coming up with something", said a Dutch diplomat, "but member states will not be able to force their opinions on the Commission".

Mr Delors himself partly regained the initiative at the Lisbon summit in June. Since then, the Commission has been screening its activity in the light of subsidiarity, and attaching a "recital" to its proposals explaining why action at Community level is needed. Member states should now have to justify any complaints of interference in the same terms.

This is still a recipe for squabbles, rather than a clear division of powers on the federal model. It is not the 10th Amendment to the US Constitution, which reserves all powers not delegated to the federal government to the states, much less Germany's constitution, which vests all power in the Länder except as prescribed in Article 30 of the federal

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constitution.

"You could give the US constitution to a 10-year old," says one senior Commission official, "and they would understand it; whereas the Maastricht treaty is understood only by those who have been to a French law school."

Unlike the US or Germany, the EC (and European Union foreseen by Maastricht) is only a quasi-federation. Moreover, unlike a real federal system, it was put together back-to-front. Until now the Community has often preoccupied itself with the little, niggling things - allowable levels of lawn-mower noise and pig manure, or quality standards for headed cabbages, for instance - while the heart of any federation, economic and monetary policy, and foreign and defence policy, has been jealously reserved to national governments.

The EC action may be answering requests from member governments, which do not trust each other to flatten their part of the level playing field called for by the barrier-free single market. Yet the measures often look at first glance like what a local council, let alone a national government, should be doing, rather than a remote, and moreover "foreign" bureaucracy.

Much of the opposition to Maastricht has been to the often intrusive 282 directives creating the single market, rather than the contents of the treaty. Nevertheless, the Commission and member governments have done precious little to dispel people's fears that Maastricht means greater centralisation and loss of national identity. There would seem not to be enough either in the treaty or the tricky notion of subsidiarity to reassure them.

Maastricht gives the European Parliament in Strasbourg the right to veto laws passed by majority vote in Council, partly to compensate for the loss of national veto, partly to bolster the role of directly elected legislators. But Europe's parliament has yet to convince citizens it is of use to them.

The main extensions of EC powers in the treaty, furthermore, could reduce accountability and make decisions more opaque. The two new "pillars" to the main EC treaty - a common foreign and eventually defence policy, and co-operation on justice and internal security issues ranging from drugs to immigration - are inter-governmental, outside the EC remit. Member states will act jointly, but with present arrangements outside effective oversight of either national parliaments or Strasbourg. The Danes, whose Folketing keeps the closest watch on the EC but also wants more powers for the European Parliament, have a point. Unless subsidiarity turns out to mean more democracy, the treaty is not democratic enough.

Ideas to staunch the leakage of accountability, ranging from opening up Council law-making to public scrutiny, and a greater role for national parliaments, are getting a hearing but not yet hardening.

The debate is still stuck on subsidiarity - at the moment not much more than a piece of molten plastic on which EC leaders otherwise at cross-purposes can stamp their own political seal.

But this does not deny the force of Mr Delors' recent, partly self-critical observation to an audience of businessmen, that "Europe began as an elitist project [in which it was] believed that all that was required was to convince the decision-makers. That phase of benign despotism is over."

Samuel Brittan

Sense on sterling



Over a decade ago I published *How to End the Monetary Controversy*, which resolved the issue to my satisfaction if not of the economics industry. I will now attempt a similar service for the exchange rate controversy. This is therefore a theoretical article.

Is the exchange rate just a market price like that of tomatoes, or should it be the anchor for policy against inflation? The tomato analogy cannot bear too much weight. For the exchange rate is a link between the national price level and that of the rest of the world. If the price of tomatoes falls by half, there need be no sizeable effect on inflation. If sterling falls by 50 per cent a large number of UK prices will eventually double. This is most obvious with goods and services which face competition in international and domestic markets; but the effects will spread more slowly towards the sheltered sectors.

What then is the case for flexible exchange rates? I have tried to illustrate it in the accompanying chart in terms of a hypothetical path for the sterling/D-Mark rate over the 1990s. The argument for flexibility is that there are various shocks which can be absorbed by a moveable exchange rate, so long as Germany remains committed to price stability and the depreciation of sterling in the early 1990s is offset by later appreciation.

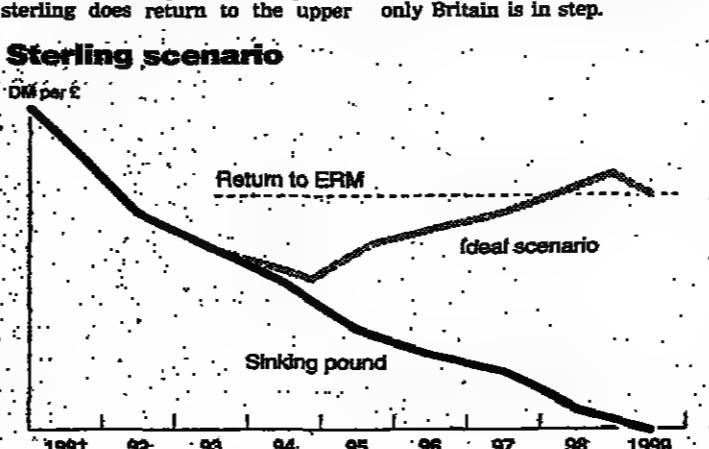
Letting sterling sag against the D-Mark imparts a deflationary shock to Germany to counter the inflationary strains of unification, but one which can be allowed to ease off as time goes on. It also allows a temporary easing of British monetary policy so long as output and employment in the UK are lower than necessary to "bear down on inflation". The UK can also off-

set the effect of a weak dollar on its overseas competitiveness by allowing sterling to fall as well and then tightening policy as the dollar recovers. These are both topical examples. The line marked "ideal scenario" exhibits short-term flexibility combined with long-term stability in the sterling/D-Mark exchange rate.

The same arguments can be applied to the regions of a country. Northern Ireland or eastern Germany could have their own currencies which could be temporarily allowed to depreciate without much permanent inflationary effect so long as the depreciation eventually comes to an end.

What then is the snag in a multiplicity of fluctuating currencies? There are transactions and insurance costs. More important is that no one knows the true position of the floating rate paths I have glibly sketched. Unpredictable exchange rate variations make it particularly difficult for business to treat the whole area covered by all currencies as a single market.

But most important of all is the extreme difficulty of ensuring that sterling does return to the upper



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Kerhard Leppin Director, Environmental Affairs, Du Pont de Nemours, Germany

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Courting the attentions of the Old Lady

With the imminent publication of a report into the BCCI affair, UK banks are favouring tighter regulation, says Robert Peston

An odd thing has been happening to the relationship between the Bank of England's supervision department and the chairman of big UK banks.

Several chairmen have privately expressed the view that the Bank should adopt more aggressive tactics in the way it monitors the soundness of banks – an apparent case of turkeys voting for Christmas.

Until recently there was a consensus among bankers that their non-adversarial relationship with the Bank works well. But now some are suggesting that it would be a useful discipline if the supervisors were more interventionist – their lenders, for example, might have shown more caution in the late 1980s if subject to greater Bank scrutiny.

The City-wide discussion on banking supervision has been prompted by press accounts of Lord Justice Bingham's forthcoming report into the role played by the UK authorities prior to the closure of the Bank of Credit and Commerce International in 1991. This long-awaited report is likely to be published next week.

The BCCI affair probably does not point to serious flaws in the law relating to bank supervision. It is the implementation of the law which appears unsatisfactory.

The main purpose of banking supervision is to protect depositors. At the heart of the 1987 Banking Act is the requirement that no one should take deposits from the public without being authorised by the Bank of England.

In deciding whether to give this authorisation, the main issue for the Bank's supervision department is whether a bank is financially sound according to a set of standards described in general terms in the act. The detailed description of the standards are enshrined in a statement of principles drawn up by the Bank of England itself.

There are at least two BCCI episodes which indicate flaws in the UK supervisory system. In the first, during the spring and summer of 1990, the Bank should probably have become more directly involved in an attempt to rescue and reorganise BCCI.

At the time, Price Waterhouse, BCCI's auditor, had passed to the Bank details of BCCI transactions which were either "false or deceitful", in PW's words. The Bank, which had long mistrusted BCCI, insisted at the time that the bank would only be allowed to continue in business in the UK if it received a substantial injection of new capital and its structure was reorganised.



BCCI scandal: Lord Justice Bingham, left, and Brian Quinn, head of banking supervision at the Bank

This new capital was promised by Abu Dhabi, the Gulf emir, who also gave a commitment to reorganise BCCI. At the time it may have been justifiable for the Bank to allow BCCI to continue trading, in the interests of protecting depositors, who would have incurred heavy losses if the bank had been wound up.

But in view of BCCI's questionable past and parlous financial condition, it might have been advisable for the Bank to place its own representation into BCCI to ensure that the rescue took place efficiently and speedily. At the least, senior Bank supervisors should probably have established close contact with high-ranking Abu Dhabi officials.

Had the Bank been more involved in BCCI's affairs in 1990, it might have uncovered evidence of the systematic fraud which it eventually did discover and which led to BCCI's closure on July 5 1991.

There was a second salutary episode in the BCCI affair. Detailed information on the fraud was passed to Bank officials in early 1991. But senior Bank directors, with the ultimate responsibility for any decision on whether to close the bank: "The section 41

- BCCI did not appreciate the magnitude of the corruption until the end of June.
- In the first three months of 1991, PW uncovered details of every major element of the fraud at BCCI. Its partners were part of a team set up by BCCI in October 1990 to investigate fraud at the bank. The team reported to BCCI's investigating committee on February 26 in Abu Dhabi and outlined every substantial area of fraud at BCCI. These included:
- a cover-up of loss-making

It is thought highly likely that there will be staff changes at the Bank after the publication of the Bingham report

report completely transformed our view of BCCI," he told a Commons select committee earlier this year.

However, both PW and Abu Dhabi told Lord Bingham that they were surprised that the Bank had to wait for the section 41 report to appreciate the extent of the corruption.

What the BCCI episodes indicate is the need for cultural change at the Bank, say bankers. It is thought highly likely that there will be staff changes at the Bank after the publication of the Bingham report.

But changes in personnel may not be a full remedy. Had the bulk of BCCI's operations been in the US, teams of bank inspectors would probably have been drafted into BCCI to investigate its affairs and implement the reorganisation planned in 1990.

Scrutiny of the Banking Act and the Statement of Principles show that the Bank had the powers to become more directly involved in BCCI's affairs. But in its relationship with BCCI stretching back more than a decade, it showed a consistent reluctance to interfere directly.

In part, the Bank may, however, have been hamstrung by a shortage of the appropriate resources. Even today, its supervision department contains only 200 professionals, who derive the bulk of their information from reports supplied by banks and their accountants. The Bank has only 15 executives specialising in on-site examinations of banks and a further 10 investigators who probe alleged Banking Act offences. Both teams should probably be expanded. But the Bank may also need to adopt some US practices and become more interventionist and adversarial in its relationship with banks.

In the supervision of banks the Bank has extensive independence from government. Some Treasury officials are arguing that the Bank would be less complacent if it was directly answerable to the Treasury, as is the Securities and Investments Board, regulator of financial institutions other than banks. But given the SIB's difficulty in establishing a clear role for itself, the benefits of government tutelage are not axiomatic.

An opportunity to bring about the requisite changes has been presented by the impending retirement of the current governor, Sir Robin Leigh-Pemberton. The conclusions of the Bingham inquiry may determine whether the government appoints a successor committed to reform and with no ties to the *ancien régime*.

- failure to record deposits;
- creation of false accounts;
- the misappropriation of funds managed by ICICI, an offshoot of BCCI;
- the disguised ownership of US banks in contravention of US law;
- the extent of losses incurred by BCCI's Treasury division;
- PW communicated full details to the Bank. But Mr Brian Quinn, the Bank director responsible for supervision, has said that it was not until the Bank received a formal report on BCCI under section 41 of the Banking Act, on June 23 1991 that he felt able to close the bank: "The section 41

regime is thought highly likely that there will be staff changes at the Bank after the publication of the Bingham report



"Green shoots of recovery – how romantic"

user-friendly toothbrush.

He is now moving into the middle with houses – not the expensively customised sort, but mass-market homes ordinary people can afford.

The stubby-chinned Starck's idea is to design a series of houses, and sell the blueprints through a mail-order catalogue. His customers would then present the designs to a building firm.

But, for the sake of the catalogue buyers, it is to be hoped that he puts more thought into the houses than he has into some of his other products. He claims he once designed a chair in the time that it took an aircraft seatbelt-sign to switch from on to off.

Dusted off

The old adage that youthful hours spent gaining qualifications are never wasted has found a new upholder in Keith Vaz, the Labour MP for Leicester East who seems to have cornered the market in government-bashing on behalf of BCCI creditors.

A qualified albeit non-

practising barrister, he last week dusted off his legal credentials to get himself a hearing in the Luxembourg court considering the compensation agreement negotiated between Touche Ross, the BCCI liquidators and Abu Utub.

"The only way to address the court was as a legal person," says Vaz, whom the proceedings scarcely impress. His reason for intervening, he explains, was that "basically the Luxembourg lawyers are pretty useless and they were not putting the case at all, and it was all in French. I don't know whether they understood what I said because I spoke in English."

Sour taste

Sad to see Anglo-German relations plumbing further depths at the latest lunch in London held by the German Wine Information Service.

Its intention was to demonstrate how delightfully the products of the country's vineyards, normally drunk as aperitifs, go down when matched with food. And 25 writers about wine and purveyors thereof duly assembled for the tasting... which they might have ended up enjoying if only the wine supplies hadn't run out.

Only two bottles of each of the dozen varieties to be sampled had been provided which, even allowing for the 15 pence per bottle possible in a tasting, was never going to be enough.

Eventually, one of the organisers had the bright idea of popping out to the local off-licence. Alas, when he came back with the seemingly statutory two bottles, the German red wine inside them was not only at best uninspiring, but one of them was decidedly off.

Homes by mail

Meanwhile a designer with a fair claim to having run the full gamut of his profession is France's Philippe Starck. His output ranges from the monumental in the shape of Osaka office complexes, to a

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Design for own destiny

From Ms Rebecca Breeze.

Sir, I write as a very cost/benefit conscious New Zealander living in England to comment on Mrs Dalmahoy's letter (October 7) as follows:

(i) I have an English husband who is paranoid that I buy British made goods in preference to foreign ones provided that their performance is at least equivalent to that of the latter. I have had very little difficulty in complying with this.

(ii) It appears many English people feel that foreign products give them enhanced status despite there being at least equivalent UK products.

(iii) Life in a distant colony may not be a full remedy. Had the bulk of BCCI's operations been in the US, teams of bank inspectors would probably have been drafted into BCCI to investigate its affairs and implement the reorganisation planned in 1990.

Scrupulosity of the Banking Act and the Statement of Principles show that the Bank had the powers to become more directly involved in BCCI's affairs. But in its relationship with BCCI stretching back more than a decade, it showed a consistent reluctance to interfere directly.

In part, the Bank may, however, have been hamstrung by a shortage of the appropriate resources. Even today, its supervision department contains only 200 professionals, who derive the bulk of their information from reports supplied by banks and their accountants. The Bank has only 15 executives specialising in on-site examinations of banks and a further 10 investigators who probe alleged Banking Act offences. Both teams should probably be expanded. But the Bank may also need to adopt some US practices and become more interventionist and adversarial in its relationship with banks.

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An opportunity to bring about the requisite changes has been presented by the impending retirement of the current governor, Sir Robin Leigh-Pemberton. The conclusions of the Bingham inquiry may determine whether the government appoints a successor committed to reform and with no ties to the *ancien régime*.

'Foul play' to stress delay of Channel Tunnel opening

From Sir Alastair Morton.

Sir, Appeals to financial editors for fair play face an uncertain fate, but the treatment last week of the Channel Tunnel opening date casts real doubt on the "rules" by which financial editors like to tell us the game should be played.

Companies are exhorted to keep information flowing through the financial columns to investors and shareholders in the eminently justifiable interest of a fair market.

In October 1992, Eurotunnel issued a prospectus based on an opening date of May 15 1993. With early tunnelling well behind schedule, Eurotunnel as client conceded June 15 1993 to TML, the turnkey contractor. This remained the best estimate until early 1993 and is still the target date in the only programme to which TML has bound itself. As everyone knows, TML made up the time lost in early tunnelling and finished a few days early in June 1993. Sadly, TML's fitting out

of the tunnels and terminals under a fixed price contract has not gone well. As a result, by early 1993 it was apparent that June 1993 could not be met. Accordingly, a Eurotunnel press release on January 10 1993 said:

"The tunnel should be able to open at the end of summer 1993", and our preliminary annual report on April 24 this year said: "Eurotunnel remains confident that the system can be opened for commercial services no later than the fourth quarter of 1993."

If editors campaign for up-to-date information, editors have a responsibility to keep pace with it and not – in haste or malice – dig out long-superceded information for use without any qualifying description.

As I write, our share price

has recovered a third of the 50p or so it lost early this week. Were some sellers misled by the media?

Alastair Morton,
chief executive,

Euro Tunnel,
111 Buckingham Palace Road,
London SW1W 0ST

Sovereignty and the road to interdependence

From Mr Y Kovach.

Sir, Edward Mortimer, in his article on Czech/Slovak relations (Foreign Affairs, October 7), claims the viability of a constitutional half-way house is not affected by the starting point, whether it be a faltering federation, such as Czechoslovakia or long-established nation states as in the EC.

It appears that interdepen-

dence can only be appreciated after experiencing full-blooded sovereignty.

Klaus (economic) and Havel (political) are correct in rejecting a half-way house. So, dare I say it, was Milosevic (communist) in the case of the former Yugoslavia. Y Kovach,
22 Lebanon Park,
Twickenham, Middlesex TW1 8DG

Perhaps UK should contemplate a future with Nafta

From Ms Linda Moore.

Sir, If you will permit this intrusion from a Yank, may I make a suggestion for Mr John Major? Perhaps, while the UK reviews the structure of power in the European Community and contemplates the future, it should consider joining the North American Free Trade Association (Nafta).

The Nafta agreement has not yet been finalised, and it will be several years before it has a significant impact on the economies of its member countries. The long-term plans for Nafta, however, include alliances with countries based on common economic goals, not geographic proximity.

To have the UK as a member of Nafta would surely benefit us all. For the US, we would be helped by having another strong partner, offsetting some concerns – particularly from Canada – about our domination of the pact. It would also alleviate some of our concerns about job losses to Mexico with the possibility of new investment from the Brits, already a significant factor in our econ-

omy. Your presence would enhance the treaty's chance for success, both in its initial years and in realising its potential for worldwide growth.

For the UK, there would be new opportunities for trade and new access channels to the booming economies of South America. To the extent that Nafta would enhance the UK's economic vitality, you would be better equipped to negotiate with the Franco-German alliance which, it seems, has definitively taken over the

leadership of the European Community.

I believe that including the UK in Nafta would greatly enhance the members' comparative strengths in telecommunications and computer technologies, medicine, and financial services, for example, as well as improving productivity and growth in manufacturing sectors.

Linda Moore,
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PO Box 30388,
Philadelphia,
PA 19103, US

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INSIDE

Alcoa drops 18% after falling prices

A fall in the price of aluminium pushed third quarter earnings of Alcoa, the world's largest producer of the metal, 18 per cent lower from \$82.2m, or 72 cents per share, down from \$75.9m, or 88 cents, a year earlier. Sales slipped to \$2.4bn from \$2.5bn. Page 17

Row at C&J Clark intensifies

The row over control of C&J Clark, Britain's biggest shoe manufacturer, intensified this weekend when five boardroom rebels wrote to shareholders urging them to vote against proposals to dismiss chairman Mr Walter Dickson and non-executive director Mr James Power.

Page 10

First the bond... then the movie!



Walt Disney, the US entertainment company, launched a Eurobond issue with interest linked to its film revenues. However, the deal requires an understanding of the company not normally required of bond investors. "If you like the movie part of Disney equity and not the theme park part, then this offers the right exposure," said a banker. Page 16

Following Germany's steps

Mr Pierre Bérégovoy, the French prime minister, is being reminded of the extent to which the French economy is dictated by Germany. France cannot risk lowering its interest rates until the Germans do so. Last week French government bonds rallied slightly as fears of another attack on the franc receded and hopes rose that the Bundesbank will reduce interest rates. Page 18

Bank of Scotland in NZ takeover

Bank of Scotland is poised to complete its takeover of the Countrywide Banking Corporation of New Zealand after the last rebel institutional shareholder, National Mutual Association, agreed to accept the offer for its 5.8 per cent holding. Page 18

Market Statistics

Base lending rates	25	London inter bank	25-27
FT-A World Indices	27	Managed fund services	21-25
FTISMA int bond ave	18	Money markets	25
Foreign exchanges	28	New int bond issues	18
London recent issues	25	World stock mkt indices	25

Companies in this issue

Alcoa	17	Minibea	17
CRA	17	News Corp	17
Credito Italiano	17	Nikon	17
Dan-Air	15	Posco	17
Hainic 1992	17	Prima Immobiliaria	17
Hewlett-Packard	17	TelecomNZ	17
IRI	17	Virgin Atlantic	18
KIO	17	Wagons-Lits	17
Lawson Maidon	17	Worms	17

A plan to relieve the burden of non-performing loans is near completion. Charles Leadbeater and Robert Thomson report

Nameless body to save the public face of Japan's banks

In a comment by Mr Atsushi Takahashi describing the proposed land buying body that is supposed to come to the rescue of Japan's troubled banks, "We don't want it to seem a paper company, and then again we don't want it to be too large", the word "seem" is one of the most important.

Appearances are an important issue in the design of the new body, a task now close to completion. The banks wish it to convey the message that they are solving the problem of non-performing loans. These unsightly assets, gathered during the "bubble" years of the late 1980s, will be transferred to the collectively run company and off the banks' books.

Japanese banks argue that while these property-backed loans are a burden, the impact on the banking system and their balance sheets has been overstated. However, they are rushing to get the new body in place so that transfers can begin well before the close of the financial year in March.

But there are serious doubts that the body - its formal name is yet to be decided - will achieve its stated aims.

There are two objectives to the new body:

- to relieve the burden of non-performing loans;
- and stimulate the country's ailing property market, the weakness of which is one cause of that burden.

It is unclear how long the burden of non-performing loans will limit the banks' lending ability and retard Japan's economic growth. Estimates of the size vary.

At the end of March the finance ministry estimated a figure of between Y7,000bn to Y8,000bn (\$67bn); Sumitomo Life Insurance, a leading Japanese financial institution, estimated Y22,000bn; while some analysts put the figure at Y30,000bn-plus.

The ministry is revising its estimate for the half-year just ended, and its new figure is likely to be between Y10,000bn and Y12,000bn for the 31 leading banks. It will announce the figures later this month.

The burden is certainly larger than the official figure suggests. Japan's definition of a non-performing loan is one on which interest has not been paid for six months, compared with the 90-day period used in US definitions. The official figures also exclude the problem loans held by bank affiliates, many of the so-called "non-banks", who were large property-related lenders during the financial excesses of the late 1980s.

In the worst case, the failure of a large regional bank or of an institution with close links to a leading bank could create a crisis of confidence in the banking system.

While the banks concede they are weighed down by the non-performing loans, they have remained confident that a crisis will not arise.

As Mr Yoh Kurokawa, president of the Industrial Bank of Japan, Japan's top corporate bank, confidently suggests, banks don't go bust in the days of Jesus'

interviews with a range of officials involved in the planning of the new body suggest that it may work something like this:

- Participating banks will provide capital for the agency and then give it concessional loans.

These loans will provide the agency's working capital, and enable it to earn income from the gap between its cut-rate borrowing and its market-rate lending.

Non-performing loans and the property used as collateral will be bought by the body as a package from a bank.

The property will be valued by an "independent" assessor, a process that the banks hope will set a floor for property prices, which

is almost certain to succeed. The Bank of Canada does not enjoy such independence. But it has more operational freedom than the Bank of England. The Bank of Canada and the Department of Finance jointly announced in February 1991 that the annual increase in consumer price inflation should fall to 3 per cent by December this year and 2 per cent by December 1992. With core inflation currently around 1.7 per cent, Canada is well ahead of its targets.

Canada's experiences are probably more relevant to the UK than those of New Zealand. Britain and Canada are big economies: both import and export a similar proportion of their gross national product. Since Britain's departure from the ERM, both operate floating exchange rates and yet are part of large trading areas.

Mr David Dodge, Canada's deputy finance minister, says inflation targets have been a great success. "They are the bedrock on which Canada bases its monetary policy."

The targets, he says, have helped the government to explain and defend its policy and keep down wage increases.

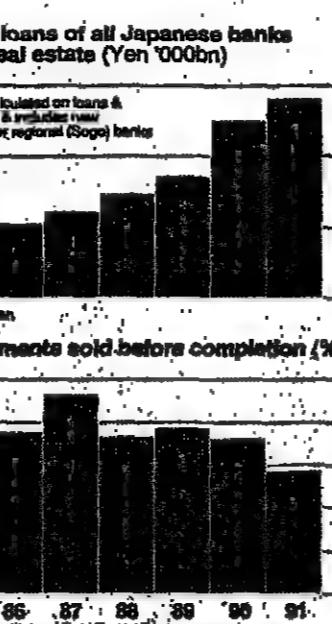
In its recent annual survey of Canada, the Organisation for Economic Co-operation and Development said the publication of the targets caused a sharp drop in short-term inflationary expectations, particularly among businesses.

But Mr Dodge stresses that inflation targets need to be backed up by other policy instruments.

Canada has pursued a tough fiscal policy, including a legislated freeze on civil service salaries, for example. Mr Dodge also insists that floating exchange rates are essential if a country is to meet its inflation goals.

This last point should give Mr Lamont and the rest of the cabinet pause for thought, if, as reported, the government is aiming to hit the target by the end of this year and - with inflation at around 1 per cent - he

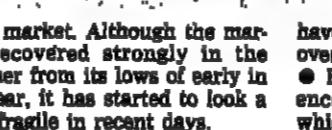
Japanese Real Estate



Source: Bank of Japan

Rate of apartments sold before completion (%)

Source: Research Institute of Real Estate Economics



Source: Research Institute of Real Estate Economics

have fallen almost 40 per cent over the last two years.

• Banks will write off the differences between the amount at which the transferred property is assessed and the value at which it is shown in their books. The new body will then begin the task of gradually selling the properties.

As the president of Industrial Bank of Japan suggests, banks don't go bust in Japan.

Sumitomo Trust says the whole process could take as long as 10 years; the amount of property to be sold is estimated at Y10,000bn.

In carrying out this scheme, appearances are important in another way. The new body must be seen to be funded by the banks and not by the public.

In reality, the Bank of Japan is

likely to increase the amount commercial banks can borrow from it at cheaper rates on the understanding that the funds are pumped indirectly into the new company.

As well as this indirect assistance, the banks would like tax concessions on write-offs from the Ministry of Finance. If things go terribly wrong, they would probably attempt to hold Mr Kiichi Miyazawa, the prime minister, to his statement that he favours the use of public funds to support the banks.

However, such support, for an industry popularly perceived to have pumped much money and air into Japan's financial bubble, would be very unpopular.

Sumitomo Trust expects the body will be ready to begin taking on the troubled collateral by January, giving the banks plenty of time to shift assets on their balance sheets before the end of March. Standards set by the Bank for International Settlements (BIS) require them to have capital equal to 8 per cent of their assets on this date.

If all goes according to the banks' plans, the BIS's ratios will be met, non-performing loans and unsaleable property will be removed from their books, and they will benefit from a hoped-for recovery of the Japanese economy, which would itself push up stock and land prices.

Such hopes may be overly optimistic. The banks admit that property market turnover is "dead", and concede that prices still have a way to fall.

Mr Kurokawa at the IBJ forecast a further 10 per cent fall, but another IBJ official said perhaps "20 or 30 per cent".

The government has promised to increase its land purchases over the next year, but there are few other willing buyers at present. The big private buyers of the past, particularly developers and ambitious manufacturers, are drawing up their own reconstruction plans.

Instead of a neat, quick solution, there is likely to be a more long-drawn-out consolidation of the banking system. Some smaller financial institutions may disappear, while the larger banks will have to ensure their profitability by cutting costs and improving their risk management.

And the new land purchase company may discover that it needs more than indirect government help. If the issue of direct government aid arises, there is likely to be an awkward public debate.

As Mr Kurokawa says: "Bankers are very unpopular now. We are like tax collectors in the days of Jesus."

Dan-Air rescue talks near D-Day

By Paul Betts,
Aerospace Correspondent

NEGOTIATIONS between Mr Richard Branson and Dan-Air are expected to reach a head in the next 48 hours amid signs that another group has emerged as a potential rescuer for the troubled UK independent carrier owned by Davies & Newman.

Mr Branson, chairman of Virgin Atlantic Airways, is understood to have become increasingly reluctant to enter into a Dan-Air rescue operation because the airline's financial situation appears to be far worse than Mr Branson had earlier anticipated.

Earlier City of London estimates that the group's pre-tax losses this year would total £7m (£17m) have now been described as too low.

Mr Branson also appears to consider that any rescue of Dan-Air in association with Virgin would require a complete restructuring of the Dan-Air business cutting it back to its profitable core.

While negotiations between Virgin and Mr David James, the company doctor in charge of Davies & Newman, are continuing, there has been increasing speculation over the weekend that another company has expressed interest in Dan-Air.

One suggestion was that British Airways, which ended talks with Dan-Air last month, had decided to take another look at the Gatwick-based carrier.

BA said yesterday it never commented on this sort of speculation, but City of London analysts said it was unlikely the UK flag-carrier would be interested in reviving talks.

However, the same analysts suggested that one company possibly interested in forging an alliance with Dan-Air was the German group LTU, which bought the Thomas Cook travel chain last summer.

LTU, which is understood to be looking for investment opportunities in Britain, has also been rumoured as a possible white knight in the event of a hostile bid on Owners Abroad, the UK holiday group, from its UK rival Airtaurus.

Dan-Air has also held unsuccessful partnership talks with British Midland, the independent UK carrier, and Air France.

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COMPANIES AND FINANCE

Clark rebels under heavy fire

By Peggy Hollinger

THREE over control of C&J Clark, Britain's biggest shoe manufacturer, grew increasingly heated this weekend with a letter to shareholders dismissing accusations by boardroom rebels as "untrue and inaccurate".

In a scathing attack on the rebels, five directors - including two members of the founding Clark family - urged shareholders to vote against proposals to dismiss chairman Mr Walter Dickson and non-executive director Mr James Power.

The letter claimed the four board rebels - all Clark family members - had "misused confidential information and made untrue and inaccurate statements... If they have done this as requisitionists, how would they behave if they controlled the company?"

A company spokesman denied reports that the family was holding peace talks at the weekend. Some 500 members of the Clark family hold more than 70 per cent of the company.

The letter to shareholders countered claims by the requisitionists that recommendations

in a consultants report dated 1988 had been ignored. This was a "red herring which disguises a straightforward attempt to gain board control", the letter stated. The company quotes the consultants, McKinsey, in 1991 as saying that Clarks had "performed creditably" against a difficult market background.

The five board members defended the corporate strategy directed by Mr Dickson. They predicted that by 1995 the company would achieve cost savings of £12m a year from rationalisation in its retail business - which includes

Clarks, K Shoes and Ravel - and £25m in manufacturing.

An extraordinary meeting has been called for this Friday to decide the issue. The rebels are proposing two new board members, Mr Hugh Pyn, an ITN journalist and a member of the Clark family, and Mr Michael Markham, a businessman.

It is believed that Electra Investment Trust, the venture capital group which is backing a possible bid approach by Mr Colin Fisher, a consultant, would hold back from any firm offer until the outcome of the egm.

Bank of Scotland poised to complete Countrywide takeover

By Terry Hall in Wellington

BANK OF Scotland is poised to complete its takeover of the Countrywide Banking Corporation after the last rebel institutional shareholder, National Mutual Association, agreed reluctantly to accept the offer for its 5.5 per cent holding.

National Mutual had been fighting an acrimonious rear-guard struggle since May in an effort to force Bank of Scotland to pay more than N\$230.5m a share, saying the offer, which valued Countrywide at £40.2m,

was far too low. It believed the shares to be worth at least N\$240.

Two other dissident shareholders, Norwich Union and Colonial Mutual, surrendered last month. National Mutual said its struggle was weakened by the late acceptances of the others. But it had considered challenging compulsory acquisition.

Bank of Scotland had sent dissidents a formal notice of compulsory acquisition, giving them until November 5 to accept, and claiming it had

acceptances for 91.2 per cent.

National Mutual said it was accepting because any legal action would have caused further uncertainties over the future of the bank. "Even if we had managed to retain the shares, their negotiability would have been limited."

Last year Countrywide incurred a pre-tax loss of N\$240.5m (£11.6m) for the year to June 30, against profits of N\$216.5m previously after bad debt provisions of N\$230.5m and a write off of N\$233m to purchase United Banking.

Butte warranty claim

BUTTE Mining, which is claiming damages of \$325m (£182.5m) in the US against more than 70 former advisers, directors and investors, is about to embark on another legal action, this time in the UK, writes Peggy Hollinger.

Mr David Lloyd-Jacob, chairman of Butte, said that the company intended to launch a warranty claim for more than \$200,000 over a company purchased in 1989.

Butte paid 9.3m shares for Gramco Zircon, a mining company allegedly holding cash resources which Butte desperately needed. The vendors were Mr Don Upright, Mr Neil Bradley and Mr CJ Deacon, a solicitor.

In the summer, Mr Deacon was involved in assisting pension fund trustees of Bellring recover £1.1m paid to one of his clients.

The purchase agreement for Gramco Zircon included warranties by the vendors, excluding Mr Deacon, that the company would have "not less than £1.1m standing at credit in the company's bank account". However, Butte received just £1.25m from Gramco Zircon's account.

Mr Deacon was paid 8m Butte shares as part of the Gramco transaction. The £1.25m appears to have been the proceeds of a placing of Mr Deacon's shares by TC Coomis, the now defunct stockbroker.

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Ramco shares double

SHARES OF Aberdeen-based Ramco Oil Services have more than doubled on market optimism over its involvement in a contract to develop a 1.4bn barrel Azerbaijani oil field in the South Caspian Sea, writes Walton Morris.

Since the deal to develop the Gunesali field was announced on October 1, the USM-quoted stock has doubled from 36p to Friday's close of 74p.

Ramco, whose core activity is the supply of corrosion control and ancillary services to the oil and marine industries, will develop the field with Pennsoil, the US oil group.

Pennsoil will bear all development costs and operate the field while Ramco will enjoy a

share of the profits thanks to its early role in lining up the deal.

Ramco's share of profits will be 10 per cent in the initial stage rising to 17.5 per cent with a full participating interest after Pennsoil has recovered its costs.

Mr Stephen Kemp, the 45-year-old American chairman and chief executive who founded the company, explained that the favourable terms Ramco stem from its pathfinding role in securing the contract from the Azerbaijani government.

Current production in the Gunesali field was 130,000 barrels per day and should increase to 270,000 when the field was in full production.

Ramco's share of profits will be 10 per cent in the initial stage rising to 17.5 per cent with a full participating interest after Pennsoil has recovered its costs.

For the first half Firstland reduced its loss from \$455,000, which included a \$285,000 exceptional charge, to \$87,000 on turnover of \$261,000 (\$233,000). Losses per share were 0.34p (2.05p).

Firstland makes £5m move into packaging

By Peter Pearse

FIRSTLAND Group proposes to buy Gelpack Industrial, a private industrial packaging company, for £4.8m under a reorganisation that will transform the USM-quoted oil and gas company into a packaging business listed on the main market, writes Walton Morris.

Firstland, suspended since August 15 pending the reorganisation, will change its name to Britton Group and fund the acquisition by a placement of 100m new ordinary shares with private and institutional investors to raise £5.1m before expenses.

Mr Simon Beart, finance director, who with Mr Robin Williams, chief executive, led a management buy-in last March with the aim of diversifying into an industrial group with stable earnings, said Gelpack was involved in a low-volume, high-margin niche sector of a growing market.

It had been showing strong growth in pre-tax profit recently, jumping from £214,000 in the year ended June 30 1990 to £706,000 in 1991 and £1.65m in 1992. Turnover expanded from £7.93m to £11.63m and £11.55m.

Firstland will want to dispose of its remaining oil and gas business quickly, probably below the estimated book value of £2m for its operating oil and gas wells in Oklahoma and the Gulf of Mexico.

The reorganisation will include a capital reduction and elimination of the deficit on the profit and loss account. Barring unforeseen circumstances, the directors intend to recommend a final dividend payable in mid-1993 for the year 1992.

For the first half Firstland reduced its loss from \$455,000, which included a \$285,000 exceptional charge, to \$87,000 on turnover of \$261,000 (\$233,000). Losses per share were 0.34p (2.05p).

M&A Deals table

The Cross Border M&A deals table will be published in tomorrow's edition.

WMS raising £15m via share placing

By Peter Pearse

WMS Group is to raise about £15m in a placing of shares in the last week of November. The new shares will account for about 40 per cent of the enlarged share capital - the balance will remain with Mr Joe Moore, the chairman and founder, and his family. After the placing, the company will be valued at about £45m.

Originally Window Machinery Sales - though Mr Moore maintains that the company's initials stand for Work Means Success - WMS has grown into a designer, developer and distributor of window hardware and related domestic and industrial fasteners. It is now branching into silicones and

decorative sundries markets. "More product penetration is needed," he said.

The company employs 220 staff and operates from its national distribution centre which sits on an 11-acre site in Brighouse, near Leeds, bought from Coloroll, the collapsed home furnishings group, for £1.8m in 1989.

A prospective p/e of 11.5 and 15, with 13.5 the likelyst, has been forecast. WMS has predicted profits for 1992 of more than £3m post-tax, compared with £1.72m in 1991, on turnover of £25m-plus, against £20.2m. The company will pay dividends, Mr Moore said.

Competition leaves Specialeyes in the red

SEVERE COMPETITION and moves to prime high street sites has been blamed by Specialeyes, the USM-quoted optical retailer, for a fall into pre-tax losses of £596,000 in the year to May 30, against profits of £201,000.

The company has developed a new strategic plan, as part of which three new directors have been appointed and Mr Andrew Noble, chairman, is being replaced by Mr Jim Power, an existing non-executive director.

Sales rose by 12 per cent to £16.6m but were at the expense of margins. They were affected by the recession and the uncertainty surrounding the General Election, particularly the commitment of the Labour Party to return to free sight tests which caused a severe fall in sales.

Losses per share came out at 3.13p (earnings of 2.04p).

FT-SE Actuaries Series

TODAY marks the first official calculation of new indices in the FT-SE Actuaries Share Indices. The new indices are:

• The FT-SE Mid 250, covering the 250 companies that rank below the FT-SE 100 in size. This is a real-time index containing companies with market capitalisations of roughly £150m to £1bn.

• The FT-SE Actuaries 300, the FT-SE 100 plus the 250 stocks in the FT-SE Mid 250. Industry baskets based on these 350 stocks will be updated minute-by-minute throughout the day. The sector classification is that used in the FT-Actuaries All-Share index.

The new indices form part of a newly created family, the FT-SE Actuaries Share Indices. This also includes the FT-SE 100, the FT-Actuaries All-Share index, the FT-SE Eurotrack 100 and the FT-SE 1000, and (from January 1993) the FT-SE Small Cap index.

The new structure of the FT-SE Actuaries Share Indices is the result of the work of the Index Design Working Party set up in December 1991 by the London Stock Exchange in conjunction with the Financial Times and the Institute of Actuaries and the Faculty of Actuaries.

INDEX DESIGN WORKING PARTY

Chairman: Gordon Bagot, WM Company
Deputy Chairman: Peter Jones, Greenwell Management
Andrew Threadgold, Pfeiffer Investment Management

Members: Guy Austin and Barbara Odgaard, ESM Securities; Jenny Austin and Ingrid Kirby, Pfeiffer Investment Management; Simon Bradford and Robert Mapstone, County NatWest Securities; Timothy Breedon, Legal and General Investment Management; John Brumwell, Prudential Portfolio Management

ment; John Clamp, Combined Actuaries Performance Services (CAPS); Angela Cozzini, Baring Securities; Raphael de Santos, Goldman Sachs International; Adrian Dicks and Peter Martin, Financial Times; Bruce Froud, Kleinwort Benson; Richard Harris, UBS Phillips & Drew; Paul Hobson, Lazard Frères; David Makepeace and William Oulton, London Stock Exchange; Neil Morgan; Maureen Miskovic, SG Warburg Securities; Richard Pain, Institute of Actuaries; David Paterson and Neil Honohan, Robert Fleming & Co; Sandy Phillips, London International Financial Futures and Options Exchange (Liffe); Stewart Read, County NatWest Investment Management; Paul Richards, Institute of Investment Management and Research; Ian Stephenson, New Court Securities; James Woodlock, ESM Investment Management

The Financial Times, the London Stock Exchange, the Institute of Actuaries and the Faculty of Actuaries wish to express their gratitude to the participants in the working party for the time and effort they devoted to the project.

The FT-SE Actuaries Share Indices will be supervised from January 1993 by a Steering Committee which will decide on the key policy issues, set standards and approve the ground rules which govern the indices. The chairman of the Steering Committee is Donald Brydon, chairman of the committee of ESM Investment Management. The Financial Times, the London Stock Exchange, the Institute of Actuaries and the Faculty of Actuaries are very grateful to him for agreeing to take on this task.

The official auditor of the series will be Gordon Bagot, WM Company, Edinburgh.

Optical Fibre System and International Gateway Russian Federation

Prequalification Notice

System specifications and requirements are as follows:

Optical fibre cable length approx. 900 km in total. Dispersion shifted and non-dispersion shifted fibres, attenuation - less than 0.24 dB/km, 8-12 fibre, cable laying in ducts and ploughing. Transmission equipment: 565/622 Mbps line equipment to be terminated at Khabarovsk at 2 Mbps level, and at Nakhodka at 140 Mbps level.

Digital International Gateway: automatic operation with operator assisted service;

Synchronising systems: CCITT N, N7 and R2D for international circuits; IVF and 2VF for long distance (analogue) domestic circuits. Call charging: centralized, toll ticketing, interwork with local networks. Capacity: 4,000 international circuits, 2,500 long distance circuits and 2,200 local lines (remainder to be clarified).

The contracts are expected to be financed in part by the European Bank for Reconstruction and Development. The award of contracts is expected in the second quarter of 1993 following competitive

tendering open to prequalified companies and consortia. Civil works are to be subcontracted to the construction department/subsidiary of A/O Intertelecom. The ability to implement both contracts within the above timeframe will be an important tender evaluation criteria.

Individual companies and consortia who have the capability to complete these major contracts and who wish to be considered for prequalification are invited to submit a capability statement containing:

I. company profile including type and size of the company, and financial statements for the last 2 (two) years;

II. details of similar projects completed in the last 5 years;

III. current contracts being executed and future commitments, by value and completion date;

IV. ability to perform the work as described above; and

V. experience in Russia, CIS-countries or other countries in Eastern Europe.

Companies and consortia may apply for prequalification for one or more contracts. Preference shall be given to a combined offer. Prequalification submissions should be submitted separately for each contract.

Five (5) copies of capability statements should be forwarded to the following addresses:

Telecom Denmark Ltd. (2 copies)
Network Division
Telegade 2, DK-2630 Taastrup, Denmark
Tel: (+45) 42 52 91 11
Fax: (+45) 42 52 93 31
Telex: 22999 TELCOM DK

The deadline for submission of capability statements is November 12, 1992. Companies and consortia seeking further information should contact Mr. V. Kirchenko, Intertelecom, or Mr. P.B. Olesen, Telecom Denmark, at the above addresses. Prequalified bidders will be invited to prepare their bids in accordance with tender documents to be issued in the second part of November 1992.

MAES Funding No. 1 PLC

Agent Bank: 8th October, 1992

MAES Funding No. 1 PLC

INTERNATIONAL EQUITIES

Companies find the gloss has faded from foreign listing

Are foreign listings going out of fashion? During the 1980s – when securities markets were meant to go “global” – getting a listing abroad was all the rage.

Investors around the world wanted to buy shares in foreign companies, ran the theory, so what better way to sell shares to them than list on their local exchanges?

For many companies, however, this proved expensive and time-consuming. Like many theories of the globalisation era, experience has shown it to be overly simplistic. Recent experience suggests the high-water mark of foreign listings has passed. In London the number of foreign companies seeking a listing peaked at 84 in 1984, falling to 38 in 1990. Last year there were 20 and this year so far eight.

There is a steady flow of companies delisting, on the other hand. That may be because of merger or takeover or because the amount of trading did not live up to the companies' hopes. Whatever the reason, at 533 the number of overseas listed companies could be past its peak.

This phenomenon is not restricted to London. UK companies are pulling back from foreign listings. Aegis, a media buying company, last week said it was giving up its listings in Paris and New York to save itself £250,000 a year in compliance costs.

Tokyo, meanwhile, suffered the indignity last month of losing five big foreign listings, including GM, Philips and News Corp. It is not too hard to see why these companies' ambitions were frustrated. Most foreign shares are bought by institutions and these investors generally have access to a foreign company's domestic market.

The replacement of floor-trading by screens, the greater flow of information internationally and the advent of broker-dealers with salesforces spanning the globe means companies no longer have the same need to list on foreign markets. A second reason is that liquidity has not developed in most off-shore markets.

It turns out that foreign investors value liquidity, and the chance to trade at prices determined by

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

Hybrid production from Walt Disney

EUROBOND investors were last week offered a new type of debt/equity hybrid, when Walt Disney, the US entertainment company, launched a bond issue with interest linked to its film revenues.

Foreign listings are not about to vanish. They are still used by consumer product companies and others for marketing reasons, for instance. For companies wanting to raise money, rather than just create a new market for their shares, it may be useful to go through the discipline of complying with local prospectus requirements.

That is especially true in the US, the world's largest domestic capital market. Compliance with Securities and Exchange Commission regulations and US accounting practices is a stiff requirement which many companies are prepared to fulfil even though there is now a growing private market for companies which are exempt under Rule 144a.

The \$400m Eurobond issue of senior participating notes due 1995 pays interest of 7% per cent for the first 18 months and 1% per cent thereafter. In addition, payments of contingent interest will be made if film revenues generated by a \$400m portfolio of live action films exceed \$900m over the life of the notes.

Richard Waters

Subsequently, eligible revenues are split with the company, up to a maximum of \$200m.

Thus interest payments will fall in a range of 3 per cent to 13% per cent, according to Citicorp. The deal is arranged by Citicorp Investment Bank, with US placement arranged by Lehman Brothers.

Revenue participation is already an established part of film financing. Loans with profit participation for lenders developed from the traditional means of financing through limited partnerships. The latest deal is a public offering of a structured transaction which works on the same principle as these loans with profit participation.

For Disney, the deal also has a strategic goal. The company is cash rich, and could turn its internal cash flow to finance its films. However, the structure of the deal – which means that interest costs fall and rise in line with revenues – will have the effect of smoothing out its earnings profile. This is desirable since Wall Street marks down shares with a volatile performance.

Tracy Corrigan

Anthony Harris

The down-sizing of Great Britain Plc



INDEXED bonds

are the investment flavour of the month. They may be boring, but they have one great merit: they offer all-risk anti-Tory insurance.

If our future is to be stable, real interest rates will fall; if we get the traditional inflationary dash for growth investors are still covered. There is even a bonus: as indexed issues pile up, the market is at last gaining real liquidity. This alone may help to drive yields down further. Indexed will be a bad choice only if we can expect an ordinary cyclical recovery.

This seems at best an outside chance, because in Brighton last week the Tories lived fully up to their old name – the stupid party. Patriotic, clearly, is the last refuge not only of scoundrels, but of fools. We were left with foreign policy of sulking our way into Europe, an economic policy of blind faith in men of proved poor judgment, and a government not only facing recession, as most are, but with not the ghost of an idea of what to do about it. On the contrary, it seems bent on making a bad situation worse.

One example must suffice: the apparent decision, in the name of public expenditure control, not to build a Jubilee Line extension to Docklands. This will have an effect not only on the PSBR, but on the banks, which will have to make further large provisions against their Docklands book. This loss of capital can only be met by further attempts to downsize bank balance sheets: by calling in loans, and refusing new ones, and by squeezing surviving borrowers for more revenue.

These are the very actions which have already produced the worst downturn for a generation. Has any official warned ministers about this? From the Bank, very possibly; but from the treasury, probably not. There has been no signpost in what ministers say, or more significantly in what they do, that they understand the financial forces which drive debt deflation. The Fed knows about

In London, the only hope lies in interest rates. The anti-inflationary rhetoric in Brighton makes cuts likelier than not. This is the normal cover story of those about to relax monetary policy, as Mr Paul Volcker memorably showed in 1982. His huge interest rate cuts were prefaced by an anti-inflationary lecture as fierce as frightened the bond markets. But can any plausible cuts offset the government's determination to deflate at the bottom of a recession, while resisting the deep devaluation which worked this trick in 1982? Indeed still look the best sterling bet for the cautious. For bold pessimists, conventional.

NEW INTERNATIONAL BOND ISSUES										
Borrowers	Amount m.	Maturity	Avg. life years	Coupon %	Price	Book runner	Offer yield %	Borrowers	Amount m.	Maturity
US DOLLARS								GUILDFORD		
Chiyoda Corp.(a)*	270	1998	4	1.8	100	Nomura Int.	-	Nederlandse Inv. Bank	250	2002
Citizen Watch Co.(a)*	200	1995	4	1.5	100	Nikko Europe	-	-	-	-
Showa Electric(a)*	150	1995	4	1.5	100	Daiwa Europe	0.286	-	-	-
Kansai Int. Airport Co.	200	1995	7	8.25	99.8	Bank of Tokyo CM	-	-	-	-
Taisei Aluminum(a)*	100	1995	4	1.5	100	Daiwa Europe	-	-	-	-
Astinel(a)*	200	1995	4	(1)	98.88	UBS P&D	-	-	-	-
Walt Disney Co.(a)	400	1995	7	(6)	101	Citicorp/Lehman	-	-	-	-
YEN										
Republic of Finland	720m	1998	5.5	5.25	99.35	EIB Int.	5.302	-	-	-
Jets Int.(Finl.)	40m	1995	4	(1)	100.3	Mitsubishi Fin.	-	-	-	-
Kumagai Gumi Co.	700m	2000	7.25	5.75	101.37	Daiwa Europe	5.510	-	-	-
MARKS										
Citizen Watch Co.(a)*	100	1995	4	4	100	Bayerische LBk	-	-	-	-
LKB Finance	400	2002	10	7.825	102.25	Trinkaus & Burkhardt	7.300	-	-	-
Zukan Inc.(a)*	150	1995	4	4	100	Daiwa (Deutsch.)	-	-	-	-
Rokkaku(g)*	12	1997	5	(6)	100	Fuji Blk(Deutsch.)	-	-	-	-
Eurofime	200	2002	10	7.5	101.125	Deutsche Bank	7.337	-	-	-
BNI (OF)	75	1995	3	(1)	99.5	Hesse Neuman	-	-	-	-
GEICO	50	1995	5	7.75	102.5	Bank of Tokyo(Deutsch.)	7.105	-	-	-
Bank of Tokyo(Grl.)*	50	1995	4	7.75	101.4	-	7.285	-	-	-
STERLING										
Britannia Bldg Soc.(n)	50	-	13	107.125	House Govt Corp.Fin.	13.000	-	-	-	-
FRENCH FRANCS										
Europcar Inv. Bank	20m	2002	10	8.75	98.84	Societe Generale	8.930	-	-	-
Credit Local de France(a)	1.8m	2002	10	8.875	98.87	Credit Lyonnais	8.972	-	-	-

THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE AND THE LOAN DESCRIBED BELOW IS NOT AVAILABLE FOR PURCHASE DIRECT FROM THE BANK OF ENGLAND.

ISSUE OF £800,000,000

8 3/4 per cent TREASURY LOAN, 1997

SCHEDULE OF PAYMENTS:

On issue £25.00 per cent
On 7th December 1992 £35.00 per cent
On 4th January 1993 £42.00 per cent

The whole of the above Loan has been issued to the Bank of England on 9th October 1992 at a price of £102.00 per cent.

The Loan will be repaid at par on 1st September 1997.

Interest will be payable half-yearly on 1st March and 1st September. The first interest payment will be made on 1st March 1993 at the rate of £2.0840 per £100 of the Loan.

Application has been made to the Council of The International Stock Exchange for the Loan to be admitted to the Official List; dealings in the Loan are expected to commence on Monday, 12th October 1992.

Copies of the notice in lieu of prospectus may be obtained by post from the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW, at the Central Gilt Office, Bank of England, 1 Bank Buildings, Princes Street, London, EC2R 8EU or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Belfast, BT1 5BN; or at any office of the International Stock Exchange in the United Kingdom.

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9th October 1992

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*Data source: The Professional Investors Community Worldwide 1991 / MPG Int'l

FT SURVEYS

FT CONFERENCE

FINANCIAL REPORTING IN THE UK

London, 26 November

The Accounting Standards Board's proposals for the treatment of off-balance sheet finance and capital instruments, mergers and acquisitions, goodwill, the operating and financial review and the profit and loss account will be reviewed by Mr Andrew Lennard and Mr Allan Cook from the Accounting Standards Board, Mr P. Raymond Hinton of Arthur Andersen, Mr Graham Stacy of Price Waterhouse and Mr Nigel Stapleton, Chairman of the Technical Committee, 100 Group of Finance Directors.

MANAGING FINANCIAL RISKS

London, 30 November & 1 December
The workshop is an intensive, practical course aimed at those who wish to understand the principles and practices of financial risk management. It combines comprehensive technical reference material with an interactive format, case studies and worked examples.

VENTURE FORUM EUROPE '92

London 2-4 December
Co-sponsored by the Financial Times and Venture Economics, the Forum brings together an expert speaker panel to review the opportunities for venture capitalists in a rapidly changing European environment. Forum sessions will focus on performance measurement, the need for investor relations in venture capital, direct investments by institutions, exit strategies and succession problems in European owner-managed businesses.

THE FOURTH FT PETROCHEMICALS CONFERENCE

London, 8 & 9 December
This year's conference will focus on restructuring and rationalisation, consider the challenges of making operations more competitive and discuss the role of mergers, acquisitions and strategic alliances. Speakers taking part include: Mr Ronnie Hampel, Chief Operating Officer, Imperial Chemical Industries; Mr Peter Kwant, Vice President - European Petrochemical Division, Shell International Chemical Company; Mr Stephen Pettifor, Chief Executive Petrochemicals Division, BP Chemicals and Dr Italo Triapesso, Chairman and CEO, Montecatini.

WORLD PULP AND PAPER

London, 14 & 15 December
The conference arranged by the Financial Times in association with the Confederation of European Paper Industries will bring together a distinguished panel of international industry leaders to share their views on the long-term prospects for the industry and to assess how corporate strategies are changing in a more complex and competitive environment. New horizons and new opportunities opening up for the future will also be assessed. Speakers include Dr Bo Berggren of STORA, Mr Alain Soules of Arjo Wiggins Appleton, Mr Erling S Lorentzen of Aracruz Celulose, Mr Dick Eykel of N.V Royal KNP, Professor Eduard Akim of the All-Russian Pulp and Paper Research Institute and Mr H C Bowen Smith of Dillon, Read & Co.

All enquiries should be addressed to: Financial Times Conference Organisation, 102-108 Clerkenwell Road, London EC1M 6SA. Tel: 071-251 9321 (24-hr answering service) Telex: 27347 FTCONF G, Fax: 071-251 4686.

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES AND MONEY MARKETS

Volatility continues

There were wild swings in the exchange rates for the dollar, sterling and the Italian lira against the D-Mark last week and there may be further volatility in forthcoming days, writes James Blitz.

UK sterling Bank base lending rate 9 per cent from September 22, 1992

Attention will focus on the Bundesbank council meeting on Thursday, with a strong expectation that the German central bank will cut its official rates after recent easing in its money market operations. However, many analysts believe that the next figure for German M3 money supply will be in double figures and that an easing in rates is unlikely until Christmas.

The uncertainty over the differential between German and US rates hangs over the dollar, sterling and the lira. The US did not ease interest rates last week as had been expected and the dollar rallied

POUND SPOT - FORWARD AGAINST THE POUND

Oct 9	Days forward	Cash	One month	90 d.	Three months	% p.p.
US	1.6989	1.7050	1.6975	1.6975	0.00-0.05%	0.03
Canada	2.0900	2.1275	2.1175	2.1185	0.11-0.15%	2.18
Australia	1.5125	1.5125	1.5125	1.5125	0.00-0.05%	1.51
Belgium	1.5125	1.5125	1.5125	1.5125	0.00-0.05%	1.51
Denmark	9.9295	9.7050	9.6725	9.6825	1.51-2.01%	-0.57
Iceland	1.4975	1.4975	1.4975	1.4975	0.00-0.05%	1.49
Portugal	219.25	224.75	223.50	223.50	2.21-2.25%	-18.99
Spain	175.25	180.75	179.55	179.55	2.21-2.25%	-7.01
Norway	10.6000	10.2600	10.2100	10.2100	1.51-2.01%	-5.39
France	8.5575	8.5575	8.5100	8.5100	2.21-2.25%	-2.84
Italy	10.8000	10.7075	10.7075	10.7075	1.51-2.01%	-2.73
Austria	1.7000	1.7200	1.7100	1.7100	1.51-2.01%	-0.22
Switzerland	1.5000	1.5000	1.5000	1.5000	1.51-2.01%	-2.25
General	1.6989	1.7050	1.6975	1.6975	0.00-0.05%	-0.63

Commodity rates taken towards the end of London session. St-month forward rates 4.24-2.14% 12 Month 7.03-7.30%

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct 9	Days forward	Cash	One month	90 d.	Three months	% p.p.
US	1.6989	1.7020	1.6975	1.6975	0.00-0.05%	0.03
Canada	2.0900	2.1275	2.1175	2.1185	0.11-0.15%	2.18
Australia	1.5125	1.5125	1.5125	1.5125	0.00-0.05%	1.51
Belgium	1.5125	1.5125	1.5125	1.5125	0.00-0.05%	1.51
Denmark	9.9295	9.7050	9.6725	9.6825	1.51-2.01%	-0.57
Iceland	1.4975	1.4975	1.4975	1.4975	0.00-0.05%	1.49
Portugal	219.25	224.75	223.50	223.50	2.21-2.25%	-18.99
Spain	175.25	180.75	179.55	179.55	2.21-2.25%	-7.01
Norway	10.6000	10.2600	10.2100	10.2100	1.51-2.01%	-5.39
France	8.5575	8.5575	8.5100	8.5100	2.21-2.25%	-2.84
Italy	10.8000	10.7075	10.7075	10.7075	1.51-2.01%	-2.73
Austria	1.7000	1.7200	1.7100	1.7100	1.51-2.01%	-0.22
Switzerland	1.5000	1.5000	1.5000	1.5000	1.51-2.01%	-2.25
General	1.6989	1.7050	1.6975	1.6975	0.00-0.05%	-0.63

Commodity rates taken towards the end of London session. 1MC, Ireland and ECU are quoted in US currency forward premiums and discounts apply to the US dollar and not to the individual currency

Forward premium and discount apply to the US dollar

Sterling, which is also floating freely outside the European exchange rate mechanism, will be affected by the UK chancellor's appearance before a select committee of the House of Commons today, in which he could further outline the UK government's economic policy. Wednesday's industrial production number for August and Thursday's figure for September unemployment will illustrate the scale of the UK recession.

IN NEW YORK

CURRENCY MOVEMENTS

Oct 9 Date Prev.

Oct 9 Date Prev

MONDAY INTERVIEW

Enduring symbol of stability

Carlo Azeglio Ciampi, governor of the Bank of Italy, talks to Robert Graham

In a country where intrusive journalism thrives, one institution and one figure have remained above the fray - the Bank of Italy and its governor, Carlo Azeglio Ciampi.

The mystique, close to reverence, surrounding the bank and its 71-year-old governor endures in spite of Italy's bruising experience on the currency markets in recent weeks. The lira was forced to devalue by 7 per cent on September 13 and four days later to begin floating outside the exchange rate mechanism (ERM).

Mr Ciampi was the leading advocate of the "strong lira" policy, which placed the currency within the narrow fluctuation band of the ERM. But this policy was based on the premise that Italy had to put its public finances in order.

The governor has emerged from the crisis with his prestige intact because he has been powerless to control fiscal policy, as he has never ceased to remind the politicians during his 13 years as governor.

His speech at the bank's annual meeting in May now looks prophetic. Urgent measures, he said, had to be taken within "a matter of weeks" to keep the lira stable within the ERM.

With the studied caution of an intensely private person Mr Ciampi says: "The crisis that emerged last month could have been avoided if the member states had grasped the opportunity provided by the German-Italian proposal of September 12 for general realignment - within the bounds set by an appreciation of the D-Mark and equal depreciation of the lira, coupled with a decrease in interest rates in Germany."

"Unfortunately the realignment was limited to the lira/D-Mark exchange rate, so that the accompanying reduction in German rates was only small. This left plenty of scope for the markets to mount further speculative attacks against other currencies."

This is not simply wisdom with hindsight. In private Mr Ciampi scarcely conceals a great sense of disappointment, even bitterness, that an opportunity was missed and for which both Italy and other members such as Britain paid dearly.

On the weekend of September 12-13 Italy and Germany were the sole countries to discuss realignments in

the ERM.



The crisis could have been avoided'

through its carefully guarded independent status, can take decisions in monetary policy and foreign exchange matters. The government, however, is hampered by a cumbersome bureaucracy and a fragmented political process which creates long delays before fiscal policies are implemented. The government's difficulties in enacting a 1993 budget, which may take until the end of November to approve, are creating considerable uncertainty in the markets.

Mr Ciampi is one of the main

PERSONAL FILE

1920 Born, Livorno, Educated University of Pisa.
1941-44 Italian Army, awarded military cross.
1948 Joined Bank of Italy.
1970 Head of research department.
1973 Secretary-general.
1978 Director-general.
1979 Governor, Bank of Italy, Chairman, Ufficio Italiano dei Cambi.
1987 President, Committee of EC Governors.

proponents of a European Community stand-by loan to sustain international confidence in the Italian economy and help repay loans extended by the Bundesbank to support the lira. The proposal is now under discussion.

Despite the depletion of reserves, he insists that Italy is in a position to honour all its obligations contracted with the Bundesbank and the Belgian central bank during recent weeks. And he is adamant that Italy's gold reserves will not be touched.

In making such assurances, there can be no doubt that Mr Ciampi has past experience to draw on, having seen 11 devaluations of the lira during his tenure as governor. "The moments of greatest tension in the markets have passed," he says.

His relations with the government of Mr Giuliano Amato

were good, and there is agreement on where the dividing line lies between political decision-making and the role of the bank. This has been important in co-ordinating positions over the past month since ultimately the decision for Italy to realign was a political one. So too will be the decision on ERM re-entry.

Such co-operation was not

always evident, notably with

the previous government of Mr Giulio Andreotti - the governor and the former prime minister did not meet formally to discuss bank business for two years.

It is necessary to hold

steady, avoid over-hasty decisions and provide the liquidity

[to the financial system] that is required while pursuing a rigorous monetary policy." But he is well aware that this will not be enough to satisfy the financial markets and reassure investors.

It is crucial that uncertainty and doubt be eliminated:

investors' fears that constraints will be imposed on government securities are out of place, as is concern that the freedom of capital movement will be restricted. The public debt will continue to be managed according to the rules of the free market."

Mr Ciampi will not be drawn on what sort of parity the lira might re-enter the ERM or the precise timing of such a move. But he says: "The depreciation of the lira that has occurred in the absence of ERM obligations is far in excess of any reasonable estimate of the need to improve the price competitiveness of Italian industry."

By the end of last week the

markets bore out this view of the overshoot in the floating rate, with the lira recovering to L880 against the D-Mark, compared with L1,000 in earlier trading.

Devaluations, Mr Ciampi says, rarely solve problems;

rather they underline the previous failure to solve them and make their resolution even more urgent. This is a message he hopes will be understood by the politicians.

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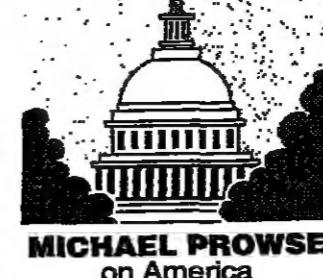
With Governor Bill Clinton still well ahead in opinion polls, the US seems to be heading for a new era of government activism. Mr Clinton has repeatedly asserted his belief in the public sector as a positive force in people's lives. He is also hyperactive by temperament: "unless he achieves at least 20 things each day as president," says one adviser, "he will not go to bed happy." The prospect of an energetic "do-gooder" in the Oval Office will alarm those who believe that governments mostly do harm. It suggests a regression to the 1960s and the "Great Society" social programmes championed by Lyndon Johnson.

Such fears are probably exaggerated. Mr Clinton would be an activist president. But his conception of government's role seems to be enlightened. Following the heavy defeat of Mr Walter Mondale, the old-style Democrat who challenged incumbent President Ronald Reagan in 1984, a small band of frustrated Democrats formed the Democratic Leadership Council to shift the Democratic party into the political mainstream and develop a "post-liberal" governing agenda.

Mr Clinton, then an obscure state governor, supported the DLC during its difficult early days as a southern/western insurgency movement on the conservative fringes of the party. From 1986 up to his bid for the presidency, he chaired the council.

To find out more about the DLC's philosophy, I went to see Mr Will Marshall, a former journalist who helped start the movement and now runs the Progressive Policy Institute, the council's think-tank. He explained that the institute was set up following the defeat of Mr Michael Dukakis, the Democratic presidential candidate in 1988 and was modelled on conservative think-tanks, such as the Heritage Foundation, which successfully laid the ground for Ronald Reagan's victory in 1980.

In what ways has the DLC and the institute tried to



MICHAEL PROWSE
on America

change traditional Democratic thinking? Mr Marshall rattles off examples. They have stressed the importance of pro-market policies to stimulate growth, arguing that a preoccupation with redistribution makes little sense when the overall pie is no longer growing much. Equally important, they have advocated far-reaching reform of the public sector, advocating "entrepreneurial government" in place of old-style bureaucracies. Mr David Osborne, an institute fellow, was co-author of Reinventing Government, an influential book that advocates a Thatcherite cocktail of deregulation, privatisation and enhanced customer choice.

These "new democrats" have been innovative in other spheres. The DLC has been at the centre of a movement to redefine the relationship between government and citizens by stressing that rights entail reciprocal responsibilities. The group believes, for example, that welfare payments are justified only if recipients accept training or jobs. On race, Mr Marshall, a southerner, argues for equal opportunity rather than equal outcomes and opposes old-style affirmative action as discriminatory. At subsequent testing moments, he has remained solid: for example, he recently endorsed the free trade pact with Mexico despite union misgivings. Optimism about the US is currently unfashionable; but I cannot help thinking that the nation may have found a man and a set of policies capable of addressing its many pressing social and economic problems. The days of domestic drift could be numbered.

Mr Marshall's gut feeling, however, is that Mr Clinton is fully committed to the reformist agenda. In his acceptance speech at the New York convention, Mr Clinton could have pandered to party activists, but instead delivered a ringing restatement of core DLC beliefs. At subsequent testing moments, he has remained solid: for example, he recently endorsed the free trade pact with Mexico despite union misgivings. Optimism about the US is currently unfashionable; but I cannot help thinking that the nation may have found a man and a set of policies capable of addressing its many pressing social and economic problems. The days of domestic drift could be numbered.

Worse still, Mr Clinton is a skilled enough politician to have used the DLC as a political springboard without really believing in its policies. The DLC has been useful to him in many practical ways, from locating fund raisers to providing crucial cells of support in many states.

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In Britain, wet Tories and the social democratic wing of the Labour party would both be comfortable with most of

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